

April 2
1960

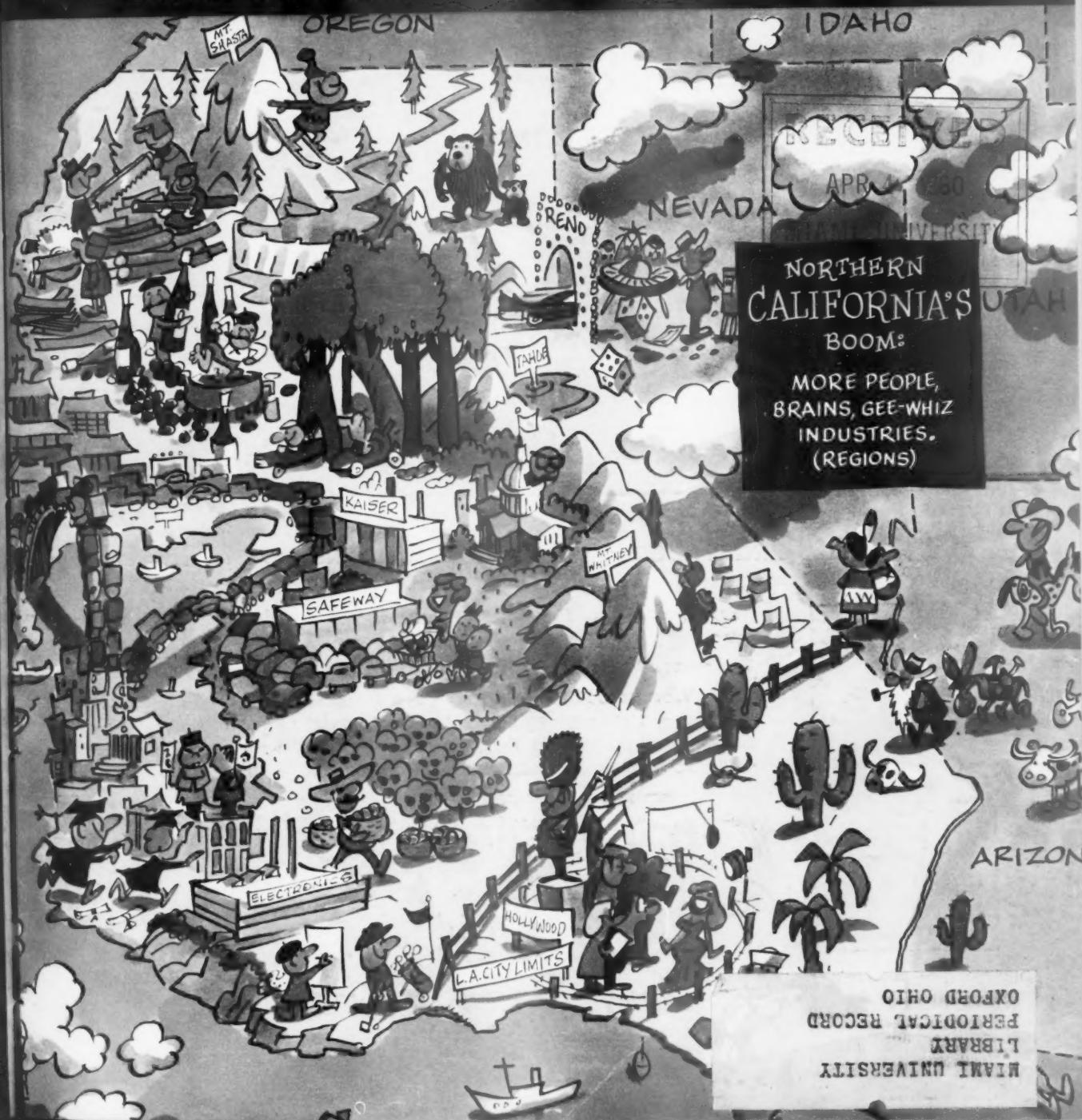
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**BUSINESS
WEEK**

A McGRAW-HILL PUBLICATION

FIFTY CENTS

APRIL 2, 1960



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PERIODICAL RECORD
OXFORD OHIO



Plioflex

*light-colored
synthetic rubber*

—as used to make better flower pots at Schacht Rubber Mfg. Co., Inc., Huntington, Indiana.



Unbreakable and Unbeatable—because it's made of PLIOFLEX!



Drop one of these flower pots, it bounces back for more. Use it for years, the bright color won't peel or change.

The reason? It's molded of PLIOFLEX 1773, an oil-extended synthetic rubber by Goodyear.

Why PLIOFLEX 1773? The primary reasons are unusually light color and low cost. Also important are high uniformity and good physical properties which minimize rejects—a vital factor in a volume business. Then, too, its shipment in film-wrapped bales, protected by multiwall bags on nonreturnable pallets, keeps down handling costs and losses.

More information on PLIOFLEX—the many types available and how they might help you—yours by writing Goodyear, Chemical Division, Dept. P-9415, Akron 16, Ohio.

GOOD  **YEAR**
CHEMICAL DIVISION

Plioflex—T. M. The Goodyear Tire & Rubber Company, Akron, Ohio.

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in BUSINESS this WEEK April 2, 1960

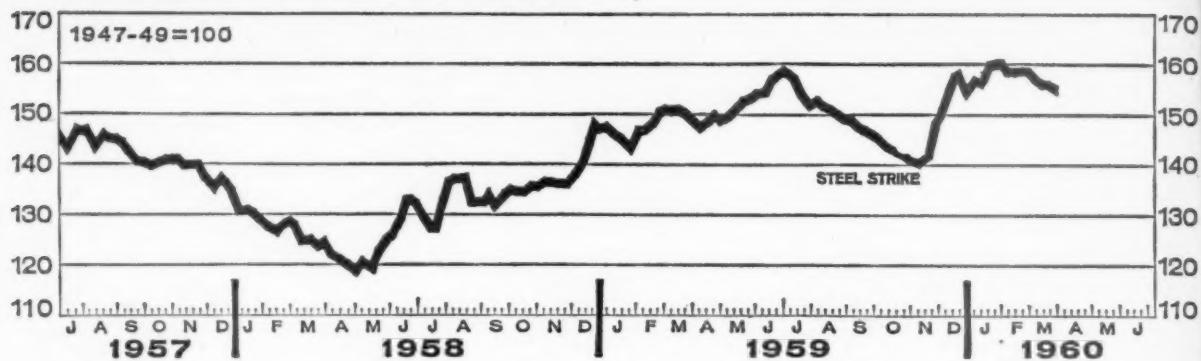
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FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	Latest Week
133.3	149.9	159.3	156.7 ^r	155.8*

PRODUCTION

Steel ingot (thous. of tons)	2,032	2,638	2,645	2,597 ^r	2,527
Automobiles	125,553	121,832	153,501	145,852 ^r	137,241
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	\$52,412	\$60,814	\$66,545	\$67,411	\$62,327
Electric power (millions of kilowatt-hours)	10,819	12,709	14,092	14,109	13,951
Crude oil and condensate (daily av., thous. of bbl.)	6,536	7,193	7,318	7,116	7,078
Bituminous coal (daily av., thous. of tons)	1,455	1,357	1,233	1,309 ^r	1,453
Paperboard (tons)	247,488	318,345	308,026	320,721	316,264

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars)	70	62	59	57	58
Carloadings: all others (daily av., thous. of cars)	47	38	37	37	39
Department store sales index (1947-49 = 100, not seasonally adjusted)	121	137	107	115	129
Business failures (Dun & Bradstreet, number)	198	297	277	302	286

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	91.1	91.9	91.3	91.7
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5	80.9	72.6	74.8	75.1
Print cloth (spot and nearby, yd.)	19.8¢	18.6¢	22.2¢	21.0¢	20.5¢
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.7	186.8	186.8	186.8
Scrap steel composite (Iron Age, ton)	\$36.10	\$37.83	\$34.50	\$33.33	\$33.17
Copper (electrolytic, delivered price, E&MJ, lb.)	32.394¢	31.815¢	33.070¢	33.000¢	33.000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.)	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.)	‡	21.77¢	25.03¢	25.03¢	25.04¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.34	\$2.09	\$2.11	\$2.14	\$2.13
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57¢	34.47¢	32.05¢	32.03¢	32.04¢
Wool tops (Boston, lb.)	\$1.96	\$1.65	\$1.76	\$1.78	\$1.76

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	55.59	55.97	55.41	55.85
Medium grade corporate bond yield (Baa issues, Moody's)	3.59%	4.83%	5.31%	5.24%	5.19%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2-2 1/4%	3 3/4%	4 1/4%	4 1/2%	4 1/8%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks	‡	60,847	59,744	60,247 ^r	59,164
Total loans and investments, reporting member banks	‡	101,342	101,375	102,153	101,510
Commercial, industrial, and agricultural loans, reporting member banks	‡	32,311	31,077	31,966	31,947
U. S. gov't guaranteed obligations held, reporting member banks	‡	31,905	25,525	25,107	24,843
Total federal reserve credit outstanding	26,424	27,123	27,235	27,197	27,189

MONTHLY FIGURES OF THE WEEK

Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)	February	1953-55 Average	Year Ago	Month Ago	Latest Month
Domestic air cargo (express and freight, millions of ton miles, A.T.A.)	January	22.5	34.7	44.5	38.5

* Preliminary, week ended March 26, 1960.
† Not available.

^r Revised.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Bud Blake; 6—(top) Rootes Motors Ltd., (bot.) Herb Kratovil; 24—WW; 26—UPI; 27—Pictorial Parade; 30—(left) WW, (cen.) UPI, (right) WW; 31—(left) AMA, (cen.) WW, (right) Health Insurance Assoc. of America; 50—(top) Joern Gerdts, (bot. left) Ernest Braun, (bot. right) Joern Gerdts; 51—(top) Lockheed, (top right and bot.) Joern Gerdts; 52—(top) Joern Gerdts, (bot. right) Jon Brenneis, (top right) Ernest Reshovsky; 54—WW; 55—(left) UPI, (right) Lisli Steiner A.; 100-101—Ted Streshinsky

170
160
150
140
130
120
110

Latest
week
5.8*

2,527
2,241
2,327
1,951
0,078
0,453
0,264

58
39
129
286

91.7
75.1
0.5¢
86.8
3.17
100¢
6.0¢
0.04¢
2.13
0.04¢
1.76

5.85
19%
/8%

164
510
947
843
189

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month
25.6
38.5

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1960



Profit: the Key to

Telephone Progress and Low Cost

Maybe it's about time somebody stood up and said a good word about profits.

For the opportunity to earn a satisfactory profit is part of the very spirit of a free America. It is one of the basic things that have made this a great country.

Today, more than ever, the progress and prosperity of communities, states and nation are dependent on the number and the prosperity of their companies.

So the profit motive is important. Actually it is one of the great driving forces that stimulate inventions, new products, new services and new plants. And more and better jobs!

That is just as true of the telephone business as any other . . . and of added importance because of the vital nature of the service.

It is a satisfactory profit—and the hope of its continuance—that gives

us the money and the incentive to go ahead on a long-pull basis instead of in a more expensive short-term manner.

It is profit that enables us to originate and take advantage of all the technological advances that improve your service and hold down the cost of providing it.

We can act instead of hesitating to act. We can go forward instead of standing still. We can move from one achievement to another in the best interest of everybody.

The evidence is overwhelming that companies that show excellent profit records do the best job for their customers and employees and, as corporate citizens, contribute the most to the community.

The day-by-day benefits for telephone users are better service at a lower price than would be possible in any other way.



WINGS FOR WORDS. It's so easy to take the telephone for granted! But what in the world would you ever do without it? All the many tasks of the day would be harder. You'd miss its priceless help and comfort in emergencies. So much would go out of your life if you couldn't reach out your hand and talk to friends and those you love.

BELL TELEPHONE SYSTEM





Westinghouse adopts Tremco preventive roof maintenance program to effectively lower costs!

Charles Hautz (right) Westinghouse—Steam Division Staff Supervisor—Works Engineering and Richard Willenborg, Tremco Field Representative, outlining 1960 schedule of planned program.

At WESTINGHOUSE—Steam Division in Lester, Pa., 20 buildings varying in construction and in types of roof mats totaling 2,100,500 sq. ft., presented a major maintenance problem. A program with primary objectives was needed to (1) keep roofs watertight at reasonable cost, (2) anticipate trouble areas to avoid roof replacement, (3) to establish a standard specification for every type of roof surface, and (4) provide a means to accurately forecast expense.

Now the Westinghouse-Lester facility is safeguarded with a Tremco planned preventive

roof maintenance program tailor-made to catch trouble before it becomes expensive... provide a budgeted program to eliminate sudden large expenditures... permit efficient use of labor... to control and lower roof maintenance costs.

If you don't already have a Tremco program in progress, ask the person responsible for roof maintenance in your organization to contact your local Tremco Man. Or, write us for a detailed explanation of why and how Westinghouse adopted this program... ask for Case History 25.



ROOFS • FLOORS

TREMCO

PRODUCTS AND TECHNICAL SERVICES FOR
BUILDING MAINTENANCE & CONSTRUCTION

THE TREMCO MANUFACTURING COMPANY
Cleveland 4, Ohio

THE TREMCO MANUFACTURING COMPANY
(CANADA) LTD.
Leaside, Toronto, Canada

PAINTING • WATER REPELLANTS • SASH

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BUSINESS WEEK • Apr. 2, 1960

READERS REPORT

Bravo for SONJ

Dear Sir:

I've just got around to reading your compliment to Standard Oil of N. J. [BW—Feb. 27 '60, p121] for saving and sponsoring WNTA's "Play of the Week"—thereby recognizing that it's better to have the full esteem and respect of a relatively small adult audience than the resentment of a multi-million mob. But now I note something else: You know what they've done, even? For two commercial periods the voice says: "There will now be a one-minute intermission." The intermission this week, with no yapping, is a blessed cloud-ride with Handel (or Bach or Purcell—I wish they'd identify it, but I'm betting it's Handel). You lean back, free of screaming about arm-pits and liver bile, and decide to go out and buy a lot of Standard Oil, even if you don't need it. That's sponsoring!

ERNEST F. HUBBARD
NEW YORK, N. Y.

Corporate Goals

Dear Sir:

In *Speaking Out in Defense of Profits* [BW—Feb. 27 '60, p152], you state that "Few would conclude from AT&T's study that profit should be the sole aim of the corporation." I feel that a very good defense can be made for the position that a corporation's sole objective should be that of maximizing profits in the long run.

With this objective in mind, the corporation is forced to establish policies which will service the usually described "aims." In order to maximize profits in the long run a company must have a healthy political and economic environment, an enlightened and cooperative local community, a well-trained, satisfied working force, and a good product.

WILLIAM M. SLOCUM
DEPT. OF ACCOUNTING
OHIO STATE UNIVERSITY
COLUMBUS, OHIO

Dear Sir:

I have seen your article *A Fresh Look at the Role of Profits in Company Growth* [BW—Feb. 27 '60, p 94]. The analysis is thoughtful and straightforward and you have done an excellent job of compacting the substance of almost a year's work by many people.

Because of the status *BUSINESS*

No more drudgery for me in cleaning grease-caked floors



His boss is happy too . . .

and should be. Now an Industrial Dry-Scrubber, Finnell's 84XR, does the job in about one-tenth the man-hour time required to hand-scrub the floors! And of course the machine is far more thorough, and spares maintenance men the back-breaking effort of manual methods. Equipped with two powerful scuffing brushes, the 84XR digs through and quickly loosens even the most stubborn coatings of dirt, oil, grease, and shavings. Universal couplings enable the brushes to clean recessed areas that rigid coupling brushes would pass over and miss.

Reversible motor keeps wires sharp. A flip of the switch reverses the rotation of the brushes and re-sharpens them automatically . . . while working! Eliminates the need for frequent changing of brushes by hand in order to maintain a sharp cutting edge. Reversal of brush rotation also helps keep the brushes functioning efficiently by ejecting sticky substances that would otherwise clog and slow up the cleaning process. Total brush spread of the 84XR is 22 inches. Low, compact design permits cleaning right up to and beneath machinery—areas where deposits are heaviest. Interchangeable rings and brushes adapt the machine to wet-scrubbing, polishing, and steel-wooling.

Clean floors allow industrial trucks to move swiftly, surely and, according to actual tests, with half the pull it takes to move loads over dirty floors. In addition, clean floors aid safety underfoot and contribute to worker productivity. So it pays to keep floors clean — especially with a labor-saving 84XR! (The Vac illustrated, Finnell's 10C, features a 1½ hp, 115v AC-DC By-Pass Motor. Tank holds 12 gallons wet, 1½ bushels dry.)

For demonstration, consultation, or literature, phone or write nearest *Finnell Branch* or *Finnell System, Inc.*, 3804A East St., Elkhart, Ind. Branch Offices in all principal cities of the United States and Canada.

A flip of the switch
re-sharpens brushes
automatically!



Brushes adjust
to floor
irregularities

FINNELL SYSTEM, INC.

Originators of
Power Scrubbing and Polishing Machines



BRANCHES
IN ALL
PRINCIPAL
CITIES

WEEK enjoys in the business world, I feel very sure your presentation of the profits story will command respectful attention . . .

JAMES W. COOK

VICE-PRESIDENT
AMERICAN TELEPHONE &
TELEGRAPH CO.
NEW YORK, N. Y.

Set the Record Straight



Rootes' 3-ton Commer truck



Ford of England's Thames truck

Dear Sir:

On behalf of Rootes Motors, whom we represent . . . we call your attention to the issue [BW—Mar. 12'60, p152]. There is an error in caption identification (on page 153). The Rootes Commer truck is in the upper photo, not the lower as stated.

Could you please set the record straight?

GEORGE BALASSES
WALKER & CRENSHAW INC.
NEW YORK, N. Y.

• We will. See pictures above.

Trading Stamps

Dear Sir:

With regard to the question of trading stamps [BW—Feb. 27'60, p 115]: If the customer were given the choice (to which he is morally entitled) of accepting trading stamps or the cash discount, it would soon be demonstrated just how unpopular is this fraud of "giving away" stamps.

BURR D. BENEDICT, JR.
COLUMBUS, OHIO



With legs lowered, the big ocean-going platform skims under San Francisco's Golden Gate Bridge.

Half-acre barge on legs lays undersea pipeline

The biggest mobile offshore platform ever built—a half-acre, 4500-ton barge with legs 275 feet high—recently completed the world's biggest ocean-pipelaying job. The job: laying a 14-foot-diameter concrete pipeline in waters up to 207 feet deep off the California coast.

With its controls powered by air from a Gardner-Denver ACD-1 compressor, the barge's big crane guided the heavy pipe into place in 192-foot increments, each weighing 207 tons. The barge it-

self, developed by the DeLong Corp., is stabilized in deep water by lowering its legs to the bottom of the ocean.

Experience in laying this pipeline—a major element in the Los Angeles sewer works construction program—indicates the great usefulness which the platform may have for oil drilling or other work offshore, where other Gardner-Denver-equipped barges are already operating off the Gulf Coast and in the Bahamas. Gardner-Denver Company, Quincy, Ill.



Lubricating the Gardner-Denver compressor used to operate crane controls on the DeLong platform.



EQUIPMENT TODAY FOR THE CHALLENGE OF TOMORROW

GARDNER - DENVER

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Pittsburgh Fab-Form, available in lengths up to 28 feet, 3 inches with $\frac{5}{8}$ -inch corrugation, is handled easily on steel joists by one man at St. Regis Church and School in Trafford, Pa. Contractor H. Justin Brown & Son, Mt. Lebanon, Pa., reported it took four men just one day to lay 10,800 square feet of Fab-Form. Fab-Form was sold and engineered by W. N. Dambach, Inc., Pittsburgh, Pa. Architect: Ermes Brunettini, A.I.A., Verona, Pa.

New Fab-Form by Pittsburgh Steel Cuts Floor and Roof Slab Costs, Gives Greater Length and Width

Fab-Form, a brand new addition to Pittsburgh Steel Products' line of quality construction products, builds in savings of materials and erection time for concrete floor and roof slabs.

New Fab-Form—longest and widest corrugated, permanent steel form for slabs poured over joists—reduces the number of end and side laps through its 32-inch cover width and extra length.

In addition, Fab-Form has an exclusive new welding method that is literally a snap.

Fab-Form is fabricated:

- In standard lengths, plus other lengths up to 28 feet, 3 inches—twice as long as most others.

- In a cover width of 32 inches.
- With deepest corrugation—a full $\frac{5}{8}$ -inch—of any standard steel centering.

- Plain or Bonderized with an exclusive baked-on duPont red oxide primer that provides weather protection and serves as an excellent primer base for further painting of exposed underside. Fab-Form's special protective finish prevents water stain or "white rust."

Fab-Form's uniform strength comes from high-tensile (90,000 to 100,000 psi), 27 gage, cold rolled steel sheet.

- **Ideal for School**—One of the first construction jobs in which Fab-Form was used was the new St. Regis Church and School in Trafford, Pa. Architect for the job was Ermes Brunettini, AIA, Verona, Pa. More than 33,000 square feet of Fab-Form supports three-inch concrete floor and roof slabs set on steel joists.

Thomas A. Laboon, job superintendent for H. Justin Brown & Son, general contractors from Mt. Lebanon, Pa., said that the deeper corrugations in Fab-Form helped make a stronger slab. Pittsburgh Steel's six-inch square mesh made of No. 6 gage wire was used for reinforcing.

Fab-Form's speed of installation also impressed Mr. Laboon. He said that it took four men just one day to lay 10,800 square feet of Fab-Form on roof joists. After sections were laid, welders using the unique Fab-Form Welding Washer Stick made plug welds to every other joist.

- **Easy as A, B, C**—Welders found using the exclusive Fab-Form Welding Washer Stick unusually simple. Pittsburgh Steel developed the unique stick so that each welder bent up the end washer on the stick, made his plug weld and snapped off the washer—in just seconds. This eliminates fumbling in heavy gloves for individual washers. Next, mesh was installed and the slab was poured.

"Everything came out exactly right with no scrapped material," said Mr. Laboon in commenting on the economy of Fab-Form. "The side and end-lapping worked out exactly right."

"On top of that," he added, "you know that when Fab-Form is down you have a material that will take a beating from men tramping on it, buggies and even rough weather."

"Later, after the slab is poured,



Deepest corrugation, $\frac{1}{8}$ -inch, of all standard steel centering is available with Fab-Form. Job Superintendent Thomas A. Laboon, left, shown with Pittsburgh Steel Products Salesman C. W. Bainbridge Jr., said deep corrugation helped make a stronger slab.

you are confident that the same material will go a long way in helping provide sound construction."

Join the growing list of satisfied Fab-Form users. Your first application will convince you of Fab-Form's advantages . . . from Pittsburgh Steel Products Division, a leader in the construction products field for more than 30 years.

Write today for literature or, better yet, contact the nearest Pittsburgh Steel Products sales office listed here.



Rugged Fab-Form, longest and widest corrugated steel centering for concrete floor and roof slabs on the market, easily supports a three-inch roof slab. Fab-Form saves material and erection time.



Pouring is no problem with Fab-Form. Here a buggy has rolled over Fab-Form without damaging the material. Six-inch square mesh made of No. 6 gage wire is from Pittsburgh Steel, too.



Exclusive Fab-Form Welding Washer Stick reduces installation time. After the end washer on the stick is bent up, the welder makes a plug weld and snaps off the washer. Then mesh is installed and slab is poured.

Fab-Form

Pittsburgh Steel Products a division of Pittsburgh Steel Company

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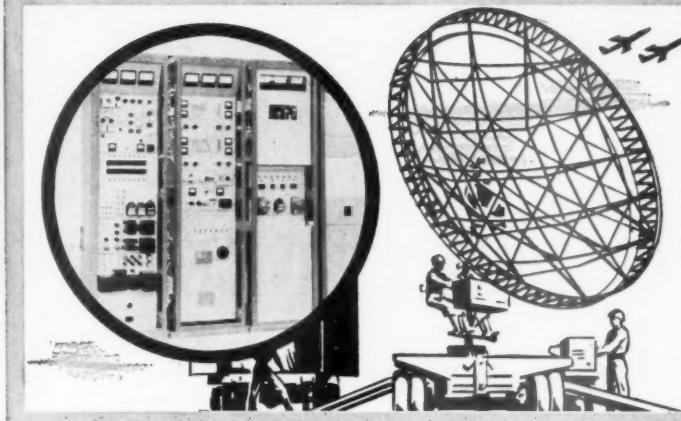
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FOR INDUSTRY

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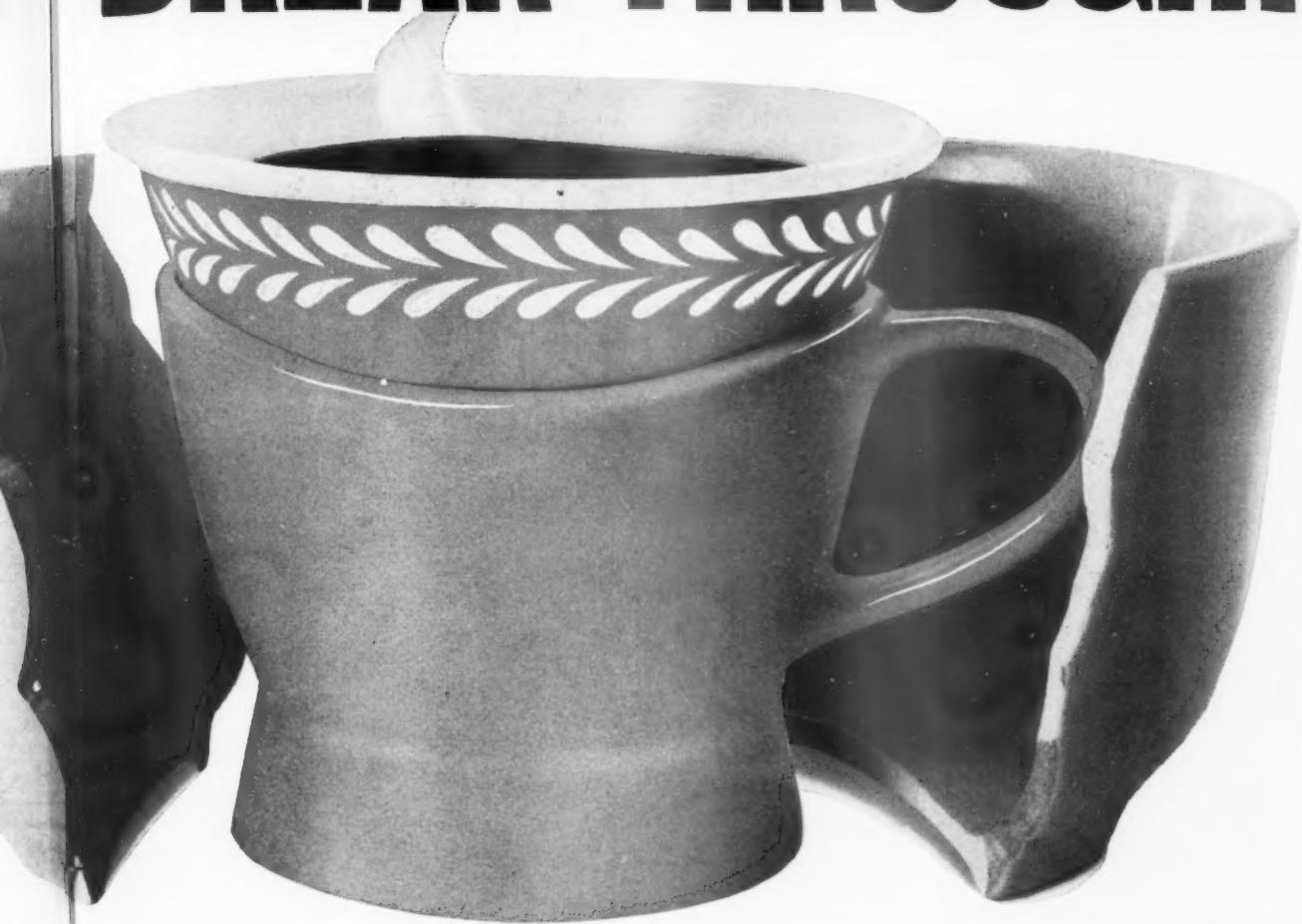


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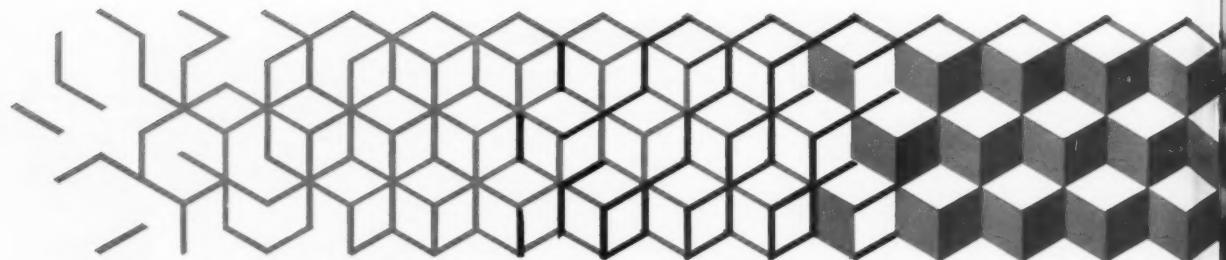
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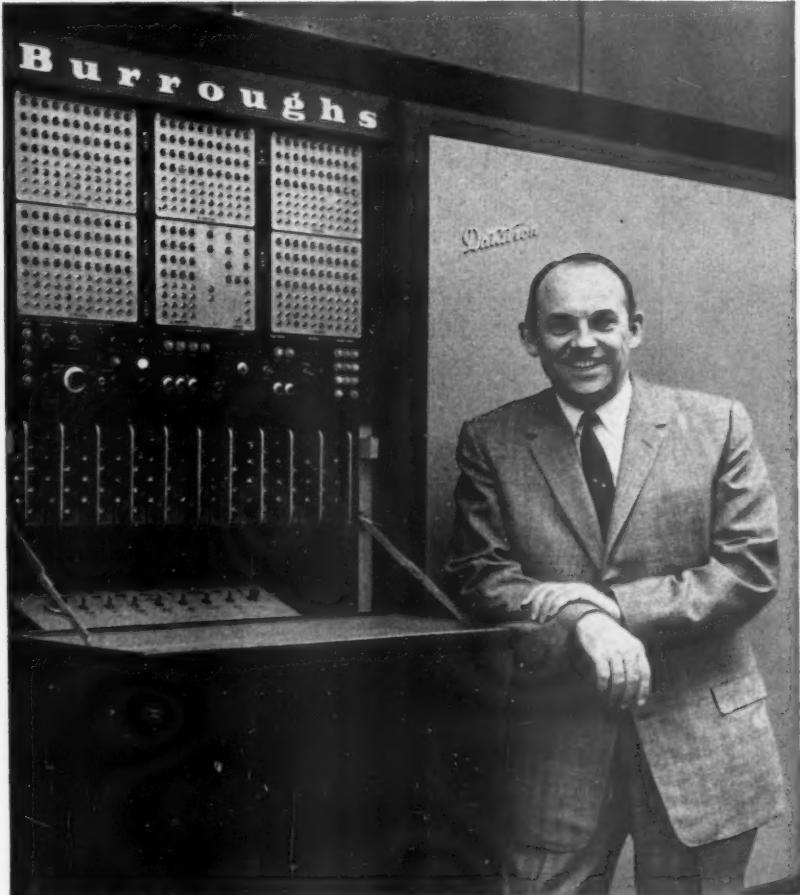
A statement from Behr-Manning Co.: "Our Burroughs

computer processes our customer

order data in 1/50 the time"



Behr-Manning's Philip Doherty (left) meets with members of his group at the Datafile.

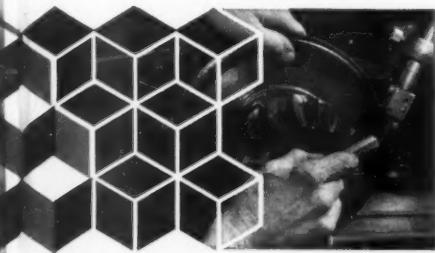


Edwin C. Evans, Vice President and General Manager of Behr-Manning Co.

"Our Burroughs computer processes our customer order data in 1/50 the time... and provides our management with up-to-the-minute statistical reports for the control and planning of our business."

EDWIN C. EVANS

*Vice President and General Manager
Behr-Manning Co.*



Nearly 40,000 different products are manufactured by Behr-Manning Co., of Troy, New York, a division of Norton Company. These products have use in almost every manufacturing process... from the making of cars to the shelling of peanuts. The products are of three main types: coated abrasives, pressure sensitive tapes and floor maintenance products. Behr-Manning, with its parent company, the Norton Company, is the largest abrasives enterprise in the world, and Behr-Manning's cellophane and other pressure sensitive tapes, sold under the "Bear" Brand are quality leaders in their field.

Behr-Manning's vast selection of products are stocked and shipped from the factory warehouse and from 16 branch warehouses across the country. Their products are purchased by countless different types of customers through every major channel of distribution.

The company, which began as a sandpaper business in 1872, now has 3,000 employees. As Behr-Manning's line of products and list of customers grew, their record keeping and accounting procedures also became extremely complex. In November, 1958, they installed a Burroughs 205 electronic data processing system to solve their paperwork problems.

Behr-Manning's decision to purchase a Burroughs 205 was preceded by considerable investigation. Vice President

and General Manager, Edwin C. Evans, states, "We first organized a 6-man study team. The group's job was to determine whether or not a data processing program would help us, and if so, to recommend which data processing system would help us most. When we decided to enter electronic data processing, the group prepared a detailed description of our particular requirements. We settled on Burroughs equipment because the 205 best satisfied our specific needs. Furthermore, the high capacity, low-cost random access Datafiles were especially suited to our application."

The computer soon took over a number of complex clerical functions... in actuality, 19 different computational assignments, from factory payroll to budget reporting. The computer's capacity enabled it to do all of this work in only 10 hours per week.

Despite the magnitude of these jobs, this was not the chief reason for acquiring the 205. Behr-Manning's most important need is a process called "order entry," which literally automates the entire sales-inventory-billing-report cycle.

The source of all Behr-Manning operations is the customer order, which is also a source of a mass of paper work. It must be edited, analyzed and reproduced prior to completion of processing.

"All order entry, from every branch, can be done by our 205," states Philip Doherty, Behr-Manning's Manager of Operations Analysis and Planning. "We process thousands of orders a day. An original order is picked up just once at a receiving location and all the work is done automatically in the system. An order coming in from a branch office is transmitted in minutes to headquarters by private wire, quantity and item data are automatically fed to the computer, and return wire messages make stock status and shipping information instantly available to the branch office."

In addition to processing the order, the 205's magnetic tape Datafiles, each having a capacity of 20,000,000 digits of information, hold many thousands of different customer and product records. When an order is entered in the 205, the computer locates the appropriate customer and product records, then issues

either a production order or shipping instruction. It also automatically prices the order and issues the invoice. Upon completion of a customer order, the computer automatically issues factory orders to replenish the stock level of the factory or branch warehouse.

The statistics accumulated by the 205 are then prepared in numerous different reports which are distributed either daily, weekly, monthly or quarterly in a digested form for Behr-Manning management. The reports include information on sales, finance and production. Previous to the 205 these statistical analyses required as long as three weeks to prepare. Now, even the most involved report can be issued in 48 hours, and if information is needed more quickly, it can be obtained by inquiring through the computer console. In such cases, specific replies are typed automatically by the printer.

"These up-to-the-minute reports," says Behr-Manning's President, Elmer C. Schacht, "are invaluable to us in the planning and control of our business. The information obtained from one waste report alone should save us thousands of dollars a year. In addition to improving the speed and accuracy of our own operation, installation of the 205 benefits our customers with the fastest possible service."

Behr-Manning originally leased their 205 computer, but after about nine months of use, they decided to purchase it. Vice President Edwin C. Evans points out, "By June, 1959, it was obvious that our 205 would accommodate all of our 'order entry' procedures plus many of our other data processing needs. So at that time we purchased the 205 outright. The equipment had proved itself and it made economical good sense to own it rather than rent it."

Like the people of Behr-Manning, hundreds of other industrial and business users are confirming the same experience. Burroughs complete line of electronic data processing equipment is backed by a coast-to-coast team of computer specialists, all eager to tell you how Burroughs can help in your business. For additional information, write General Manager, Data Processing Systems Group, Detroit, Michigan.

Burroughs Corporation



"NEW DIMENSIONS/in electronics and data processing systems"



what's
making news?

Dow's uncommon marketing philosophy is making news. Its aim: to serve each industry's complex totality, with a full armory of chemicals that implement problem-solving ideas and research geared to the industry. In paint, for example, every area—from formulation to production, from packaging to sale—finds Dow research at work with the industry on paint problems. We suggest you read on to discover how this total service concept can contribute a fresh-as-paint viewpoint to your industry, your company and its products.

PAINT INDUSTRY STIRS WITH NEW CHEMICALS

That blur you see in the picture (below, left) is a paint agitator at work—an everyday sight in the paint store. You buy a can of paint, the man puts it on the "shaker" to restore body and pigment dispersion that settled out on the shelf.

Take a long look at the agitator, we suggest. The work-horse thickener, Methocel® (Dow methylcellulose) and its new granular forms are rapidly limiting use of this piece of equipment in the retail outlets for latex paints.

After World War II, Dow researchers made the revolutionary discovery that liquid latex is an excellent "vehicle" for paint pigments. That hint was all the

creative paint industry needed. Soon they had developed this basic idea into a whole spectrum of new paints . . . to add powerful impetus to the do-it-yourself movement of the last decade.

And no sooner were they made than the industry, with Dow's help, began to make them better . . . to look for a way to give these new paints improved viscosity stability, scrub resistance, better

AGITATOR vs. METHOCEL. The new, full-bodied latex paints fortified with a backbone of Methocel almost stir themselves. Won't break down on the shelf—don't need to be mechanically agitated.



gloss enamel hold-out, and improved ease of application.

Dow researchers developed a family of Methocel products with the necessary "togetherness" talents to supply permanently good body. In a paint can, Methocel polices the mix—from manufacture to paint job. It practically vetoes the law of gravity for the pigment particles, to prevent them from settling to the bottom. The paint manufacturer's product thus stays consistent in color, texture, "flow" qualities, from batch to batch, from can to can.

Yet these new latex paints, fortified with Methocel, brush on smooth as cream. Brush marks disappear auto-



PAINT STRIPPERS made with methylene chloride are thickened with Methocel so that they cling to the painted surface to make scraping easy.

matically on drying. And after brushing out, the paint doesn't sag or drip. Edging around a door or window presents no problem. When you paint back to the edged area, you paint out edge marks instantly. Because pigments keep uniformly distributed, colors stay true.



LACQUERING IS AN ART made much easier when the lacquer contains Dowanol products. These super-solvents prevent "orange peel" or "blushing."

Now, a new granular form of Methocel has been developed as a result of Dow's close working partnership with the paint industry. It makes the paint manufacturer's formulating problems easier than ever. The granules of methylcellulose disperse easier in cold water . . . provide savings by simplifying paint production operations.

Methocel is just one of the interesting chemicals from Dow that help make paints better. Another one counteracts the foam-forming tendency in paints. Even the slight stirring action needed to put paint into working solution can create bubbles that interfere with smooth flow qualities. Dow's polyglycol P1200 helps keep paints unbubbly and eminently workable.

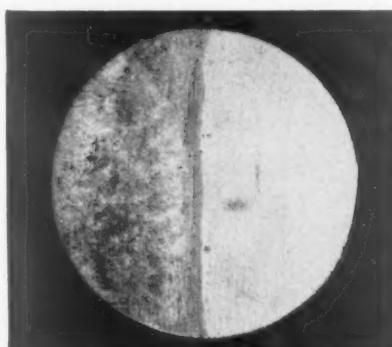
OR TAKE BLUSHING

Lacquers, because of failure of their solvents, will sometimes take on a whitish appearance, or go "flat" after application. At other times the surface may come out looking like the rough skin of an orange. Dow and the paint industry's chemists have practically licked these problems with Dowanol® solvents (Dow's glycol ether solvents) that take the blush from any lacquer's

cheek—the orange-peel look as well.

HOW'S YOUR SHELF-LIFE?

Paint chemists wage a constant battle against a teeming microscopic world of bacteria and fungi. Not only on the store shelf, but even after paint is applied, these hungry pests look for pasture. Dow developed effective countermeasures in a series of 14 phenolic compounds called Dowicide® products that extend the beauty "life" of painted surfaces.



CLOSE-UP PHOTO shows bacteria (left) attacking surface coated with ordinary paint. At right, same paint protected by Dowicide preservative is bacteria-free!

IN CONCLUSION, there is no conclusion to Dow's continuing work with the paint industry's problems and opportunities . . . just as there is never enough time or room to talk about all of the intermediate chemicals . . . the polyethylenes, the polypropylenes, glycerine, phenol and substituted phenols, Dowtherm® products, muriatic acid—that make new and better paints possible. We have prepared a series of booklets about Dow chemicals at work in major industries. So far, those on

the paint, automotive, and petroleum industries are ready. If you'd like to know more about the Dow chemicals that serve these industries, or about the products mentioned in this ad, please write to Chemicals Merchandising for your copy of the appropriate digest. You may be surprised to find that Dow chemists have long been thinking about some of your most persistent problems. Write Dept. 300AF4-2.

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BUSINESS OUTLOOK

BUSINESS WEEK
APRIL 2, 1960



No news could be much more welcome right about now than that the consumer is in an expansive mood (page 116).

For many weeks, certainly, most retailers have had their doubts.

They've had storms to blame. And from mid-February to mid-March the weather hardly could have been worse from merchants' point of view. Yet there's always the doubt that lost sales will ever be regained.

A break in the weather, from now till Easter, could go a long way toward putting softgoods sales back on the track. Department stores will have to post some good pluses, though, to make up the recent minuses.

Many manufacturers, however, will be waiting more for turn in the volume done by stores handling durables, notably autos and appliances.

Apparently there have been some signs of spring in auto showrooms. Ward's Automotive Reports cites a pickup in the second 10 days of March. This trade publication says dealers delivered 1 1/4-million new cars to customers from Jan. 1 through Mar. 20.

This was almost 10% ahead of a year ago. But the first quarter of 1959 wasn't any great shakes, so there still isn't much cheering.

In the case of appliances, the latest checkup by McGraw-Hill's Electrical Merchandising Week finds dealers generally moaning that they've been murdered by bad weather.

The same note marked the convention of gas appliance manufacturers this week in White Sulphur Springs; they're lagging last year by 5%.

Here's what it adds up to: Retail sales, over-all, doubtless were higher than in 1959's first quarter. However, the margin wasn't large (and seasonally adjusted figures still are below last summer's peak rate).

Worst of all, most of the early optimism has been sadly dashed.

That's why the new survey from the University of Michigan, showing a much stronger consumer appetite, has proved so timely.

—●—

Business has much more at stake, of course, in the rate of consumer spending in coming months than simply how stores fare.

Manufacturers' attitudes on their capacity needs always hinge on how goods move on to the ultimate users (either consumers or other manufacturers). And the rate of movement recently has not been encouraging.

You hear a good deal of talk about equipment orders in the negotiating stage but little about business actually being placed.

Many machine tool builders are in this spot. Incoming business isn't bad. But it isn't up to expectations, nor is it anywhere near what it might be if the substantial inquiries were to firm up into orders.

Bookings in January and February topped a year ago by about 35% but weren't much better than the average for the last four months of 1959. And the backlog is only about 5 months at recent rates of shipments.

Obviously there's no pressure on a manufacturer to expand if he finds

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
APRIL 2, 1960

that his goods have been piling up on retailers. He also hesitates if he makes equipment for other manufacturers who are hesitating.

Though the announced plans for capital expansion are ambitious, there has been a lot of this worried waiting so far this year.

That, in turn, probably helps explain the inventory situation. If manufacturers of machinery were booking the business they had hoped, they would be stocking more raw materials and parts.

Any real turn for the better in demand for end products at the consumer level would improve turnover at all levels. It would release orders for capital equipment. And the sum would enliven inventory demand.

—•—

Consumers certainly have had more to spend than they did a year ago.

After taxes, the money available for consumption (and saving) in the first quarter appears to have been very close to \$345-billion at a seasonally adjusted annual rate. That would have put it \$4-billion higher than in 1959's final quarter and 5% higher than in last year's first quarter.

Quite possibly consumers haven't contributed so much to the growth of the economy as their gain in disposable income might have permitted.

Official estimates on this won't be available for some time. But the tone of retail sales wouldn't seem to indicate free spending. So consumers with disposable income, say, at an annual rate \$17-billion higher than a year ago, may have spent only \$15-billion to \$16-billion more.

This, in turn, would indicate saving at a \$25-billion annual rate. That would be high—and could mean something more to spend later on.

—•—

Oil discoveries and additions to existing fields go on pushing farther into the future that dread day when petroleum supply runs out.

Additions to proved reserves of crude oil and natural gas liquids in 1959 are estimated to have supplied all that was taken out of the ground last year with 1½-billion barrels to spare.

This country's total reserves of crude oil and natural gas liquids now are put at 38½-billion barrels.

This is an increase of more than 14-billion barrels since the end of World War II. In other words, in that length of time, pumping not only hasn't depleted reserves but a net addition of 60% has been made.

Only in one year—1957—did we use more than was added.

—•—

Don't look for the March figure on unemployment to show any such improvement as took place a year ago (when the total fell by 380,000).

New claims for unemployment compensation have been somewhat higher than a year ago each week since late February. Moreover, the number actually qualifying for payments now has crept above the year-ago figure.

These figures don't necessarily forecast unemployment greater than in March, 1959, but they clearly imply less-than-seasonal improvement.

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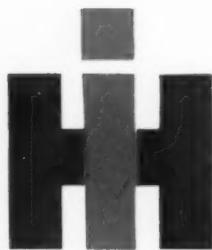
Here's the lighter-weight version (at right) of the finest diesel tilt-cab hauler on the highway — tailored for top payloads! Premium-built engines, transmissions and other components in the DCO-405 Series assure reliable, constant performance. Attention has been given every detail that will keep your truck power "on the go" and out of the shop. Lightweight construction means maximum payload capabilities. All-welded cab gives greater driver comfort with longer life. In-line or "V" type engines, 170 to 335 hp. Basic simplicity of design assures more goods hauled for less total money on runs up to 79,000 lbs. GCW!



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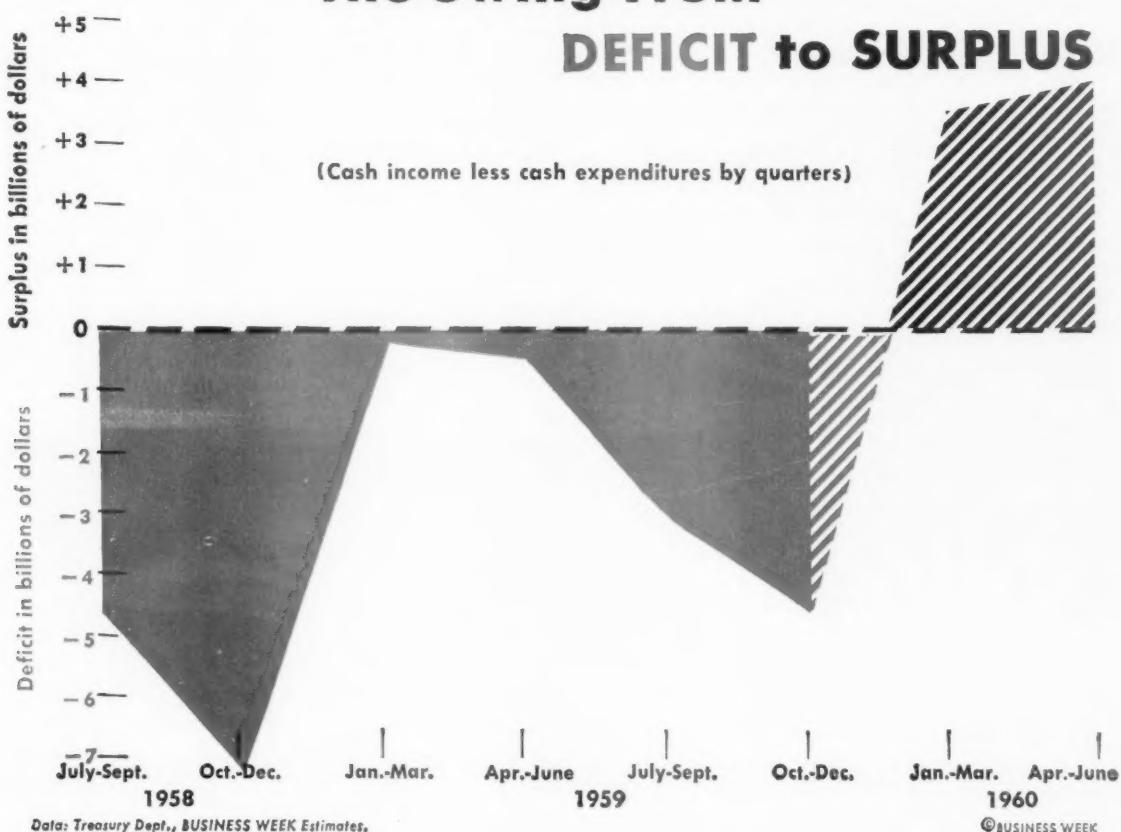


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The Swing From DEFICIT to SURPLUS



Federal Books Shift Into Black

Last month's record-breaking tax take has brought a long-awaited surplus. Its durability hinges on how business fares in the future.

The federal government's cycle of deficits, which began with the recession of 1957-58, is over. A period of surpluses based on the recovery of 1959 is beginning.

This is dramatically apparent to Treasury officials as they happily dig out from under their March mail. They have decided that last month's tax collections will be the greatest ever recorded in a single month.

The final sums won't be known for

several weeks. But there is every sign that corporations and individuals—anxious to square their liabilities on 1959 incomes—have been pouring a record-smashing number of dollars into the federal till.

• **Black Ink at Last**—These receipts are ending an 18-month stretch of red-ink entries in the budget (chart). In terms of the cash budget, which includes the Social Security trust funds, there has not been a surplus for six quarters, and the cumulative deficit during the period reached \$20.6-billion.

The cash accounts are currently heading toward a surplus this quarter of \$3.5-billion, contrasted to a \$4.5-billion deficit in the preceding quarter (chart). This swing, one of the widest in budget history to occur in such a short span

of time, stems from the brisk business pace of 1959.

Tax liabilities incurred last year are now coming due, and the result will be a virtually balanced cash budget for the fiscal year that closes June 30. This means that tax collections in the current quarter, added to those due in the April-June period, will for all practical purposes offset the deficits incurred in the first half of the fiscal year.

• **Good Either Way**—The picture is even brighter in the traditional administrative budget, which ignores the operations of the Social Security funds. The hairline \$200-million surplus Pres. Eisenhower forecast for the administrative budget last January is likely to be somewhere between that figure and \$1-billion. In economic impact, how-

ever, the cash budget counts more, because it comes closer to measuring the total flow of funds between government and public (BW-Febr. 20 '60, p187).

But on either the cash or administrative basis, the news is good.

• **But Will It Last?**—Practically the entire shift is occurring in the receipts side of the budget. At the end of February, spending was rolling along at a steady clip. Defense outlays were up some \$300-million compared with the same period last fiscal year, but the cost of operating farm programs was down some \$1.5-billion, largely because of a decline in price support operations. On balance, spending is running \$1.2-billion under last year—which indicates it will just about hit this year's goal of \$78.4-billion.

The question being asked by Washington policymakers is how long the period of surpluses is going to last. The answer, of course, depends on what happens to business.

• **Official Forecasts**—Last January, when Eisenhower sent his budget message to Congress, he said business would stay good long enough to produce a budget surplus at least up to mid-1961. He predicted a \$5.9-billion surplus in the cash accounts and a \$4.2-billion surplus in the administrative budget.

Eisenhower based his predicted surpluses in part on the hope that Congress would vote about \$1-billion in additional revenue, half of it in higher postal rates and the rest chiefly in the form of higher gasoline and other fuel taxes. At the time, his budget experts knew this was a forlorn hope, but they also thought the economy could easily exceed their \$510-billion GNP prediction and that any revenue lost by Congress' refusal to act would be made up by higher levels of business. There's more doubt now about exceeding \$510-billion. The result is a tendency to lower predictions about surpluses to around \$5-billion in the cash accounts and to a little more than \$3-billion in the administrative budget.

• **Way to Save**—Meantime, the economic impact of the swing to surpluses is being carefully watched. By the rules of orthodox fiscal economics, the budget, by generating deficits, has been stimulating the economy ever since mid-1958. Now, by generating surpluses, it is swinging to the side of restraint.

But Administration officials are convinced that the situation they see for the rest of this fiscal year, and for fiscal 1961, is just what the economy needs.

They point out that a government surplus is a form of savings. In times like the present, with demand for business capital at high levels, the funds thus accumulated will move readily into private investment, easing credit conditions and stimulating more economic

growth at the same time. If the demand for private capital were to dry up, the economy would go into a slump, tax revenues would drop, and the surplus would automatically disappear.

Even such Democratic economic thinkers as Sen. Paul Douglas, chairman of the Joint Economic Committee, are going along with the idea that surpluses are useful in the current situation.

• **Outlays Hurt**—No matter what the future benefits may be, however, the process of actually piling up the surpluses is rough on the corporations and individuals whose dollars are chiefly involved. Their tax liability falls heavily in the January-June half of each year, with March still the point of greatest pain.

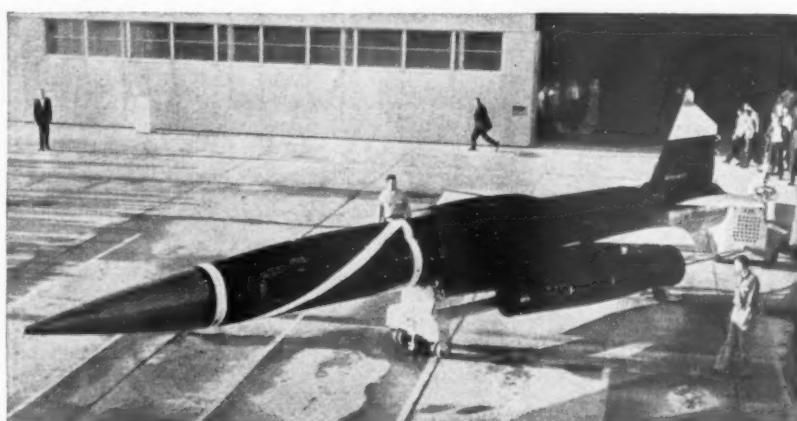
"You hear a lot about bad weather, but I think one big cause of last winter's sour feeling was an unusually heavy seasonal tax squeeze," one Administration official argues. "Now that Mar. 15 has come and gone, watch businessmen perk up."

Many corporations, in particular, were caught in a taxpaying bind. The law

requires corporations to pay their taxes in four installments; the first two of these payments on 1959 income were made last September and December. But the law allows them to underestimate actual liability by 30% without penalty, so the September-December payments always run markedly less than those made in March and June, when the actual liability is worked off.

• **Figuring Liability**—Corporations can also avoid penalty if their estimated liability for any year is at least as large as the year preceding. In 1958, corporation profits were low—a mere \$37.1-billion, on which \$17.3-billion in taxes were paid. This provided a safe penalty-free base for estimating 1959 profits and tax liability. But 1959 profits soared to about \$48-billion, with a tax liability of more than \$22-billion—and corporations had to begin to make up the difference this March.

Raising this extra money after a good year, officials argue, continues to depress businessmen temporarily each winter, despite the hopes of the lawmakers who devised the quarterly payment plan.



Air Force Cuts Bomarc Funds

A big cutback in spending for the Bomarc-B anti-aircraft missile (picture) was revealed by the Air Force last week. The money would be used instead for defense against enemy ballistic missiles.

The changes must be approved by Congress and the Secretary of Defense, but this is expected in a few weeks.

In all for the present fiscal year and for next year's budget, the Air Force proposes to trim some \$673.1-million. It originally proposed to increase other projects for a total of \$679.5-million. But the Defense Dept. forced it to reduce this to only \$424-million.

The Air Force wants to chop spending on the Bomarc program in fiscal 1961 by \$381.1-million. The SAGE electronic network that controls both manned fighter planes and anti-aircraft missiles would be cut \$274.2-million in fiscal 1960 and 1961.

• **Fewer Bases**—In addition to cutting funds for the production of the Bomarc-B, the Air Force would eliminate four of the nation's 12 Bomarc bases, although construction has already started on them.

All eight of the underground control centers for the SAGE system would be scrapped. No construction has been started on these. The money cut from these and other projects would be pumped into more missiles and better detection systems (page 126). The Air Force wants to spend an extra \$126-million for another 12 Atlas missiles and launching pads. Additional money also would be used for the Minuteman ICBM missile, Ballistic Missile Early Warning bases, space projects, the "century series" of jet fighter-interceptor aircraft, radar and surveillance projects.

Tighter Race for Foreign Cars

U. S. compacts mean harder sell for imports, and most foreign lines feel pinch; yet Volkswagen and Renault still pile up gains, luxury jobs and sports cars hold place.

After five years of the soft life, dealers in imported automobiles are having to turn to the hard sell.

It may be discreet and velvet-gloved, as for Volkswagen; shrill and brassy, as sometimes for Renault. But the meaning is the same: For the first time, imported cars have competition from U. S. factories, the competition is pinching, and importers and their dealers are fighting back.

• **Prospect**—Talking to dealers, you get the barest outlines of how the fight is likely to wind up eventually:

- The newcomers to the U. S. market, and those imports in the size and price range competing with Ford's Falcon, Chevrolet's Corvair, and Chrysler's Valiant, will be severely hurt.

- There will always be a stable, relatively small market for high-priced imports (Mercedes, Jaguar, and such) and for sport cars (Triumph, TR-3, and others).

- The well-established, lowest-priced cars (VW, Renault, Fiat) will continue to prove there is a solid market for imported automobiles—at least until Ford, General Motors, and Chrysler accept the permanency of that market and introduce "compact compacts."

- **Paradox**—In talking with dealers last week, BUSINESS WEEK reporters found sales of imported cars ahead of last year—in some places two or three times last year. Yet they got widespread comments that the new U. S. compact cars are hurting the sales of imports. That's not the contradiction it seems.

Volkswagen and Renault are running farther ahead of the pack than ever. In January, when 40,400 imported cars were registered, against 36,200 in January, 1959, VW and Renault combined for a gain of 6,700. All the other leaders except Opel lost in registrations.

Says a dealer in Atlanta who handles British cars: "The compacts have knocked a considerable bit out of the cars they compete with—the Austin A55, the Hillman Deluxe, and the Morris Oxford. The Ford and Chevrolet dealers are the biggest and best organized sales group around. You can't put cars in their hands and not expect to sell them."

I. The Way It Is

You could tell last fall from the overall registration figures that the U. S. compacts had at least an initial effect

on import sales—import registrations dropped from 56,200 in August to 47,400 in November. Then they shot up to 54,600 in December. It seems plain that prospective buyers were waiting to see what Detroit would offer.

R. B. Alexander, who sells Volkswagens and Hillmans in Greensboro, N. C., had some customers who waited until the compacts came out. "The day after the Corvair was shown," he says, "we took 10 orders for Volkswagens."

From Philadelphia and a scattering of other places come dealer comments that the birth of the U. S. compacts actually has helped imported sales by bringing more promotion to bear on the advantages of a smaller car. Many dealers, most of them handling Volkswagen and Renault, feel that after seeing the U. S. cars, and getting reports on their gasoline consumption, buyers are turning to the imports.

• **Stickier**—Still, for the first time, all dealers except those selling Volkswagens, Peugeots and, occasionally, Triumphs can offer immediate delivery. Asked how long he would have to wait to get a Renault, a reporter in Greensboro was told dryly, "about 30 minutes." Even the fabled VW waiting list seems now to be down to a mere 30 to 90 days.

The dealers frequently mention how much advertising they or their distributors are doing, as evidence of how they are having to plug. And, except for Volkswagen and a few higher-priced and short-supply brands, you even hear a hint here and there about price-cutting or discounting.

II. The Shake-Out

There's no doubt in the minds of many dealers (as well as the reporters who talk to them frequently) that the market for small and imported cars is shaking out.

General Motors' English subsidiary, Vauxhall, may be having trouble keeping up with its worldwide demand—as it insists—but that's not its trouble in Cincinnati. Virgil Murrell, sales manager of Andy Schain, which handles Vauxhall, says the compacts "have cut into our sales pretty good. I'd say they were off 50%. We're selling them at cost just to get rid of them."

You get somewhat similar reports about the Opel, GM's German car, but less frequently. The Taunus, Ford's

German make, is suffering in some cities. The British Fords are in a slump in such widely scattered cities as Chicago and Phoenix, although the smallest Ford from England, the Anglia—which sells down near the VW price—is the exception. Simca, in which Chrysler has a heavy interest, is reported to be dragging in many cities.

Nearly all of those cars sell for at least \$2,000, and often more. That is the price most customers end up paying for a U. S. compact car. And, says, an Oklahoma City dealer, "compacts meet the needs pretty well."

III. Down the Road

Of course, there are some "needs" the compacts are not filling.

In the eyes of imported car dealers, these needs are true fuel economy, low purchase price, and high quality. You get those things, they say, only in the imported cars—and that's why there will always be a market for cars from abroad. But dealers who make this point really are talking about only a handful of foreign nameplates.

Those are the cars selling for a few hundred dollars under \$2,000, and of the general size of the Volkswagen or Renault. Right now they are still alone in the market. Yet they do feel some competition from Ford's Falcon; nearly all dealers mentioned the Falcon as being closest to a low-priced import in characteristics, and too close in price for comfort—especially when, as several dealers complained bitterly, Falcons are being sold under the label price. And Ford no longer troubles to deny that it is preparing a VW-sized and priced car in case that market holds up.

The cars of the VW class are likely to find themselves even more alone in their market this fall when four or five new compacts come from GM, Ford, and Chrysler. A number of GM dealers are just waiting for the chance to drop their imported car franchises.

• **A Special Market**—The two other classes of imported cars that will always be on the market apparently are the sports cars and the high-priced plush jobs. To listen to the dealers tell it, not only are there no comparable U. S. products, there are no comparable people among buyers of compacts.

Even the dealer in Albany, N. Y., who handles nothing but foreign cars, is moved to comment: "Did you ever take a good look at the birds driving those foreign cars? They have queer hats, queer sweaters, queer shoes, queer haircuts. They're the kind of people who want to be in a class by themselves. Anything new or odd, they want it."



GENEVA conference of U.S., Britain, and Russia has been arguing over nuclear test ban since October, 1958.



CHANCELLOR ADENAUER, conferring above with Secy. of State Herter, is mainly concerned about strong Western stand on Berlin.



AT CAMP DAVID, Macmillan and Eisenhower offer to meet Russians halfway.

Pre-Summit Moves

Administration optimism rises that May summit can clear way for test ban pact that would mean dramatic shift for world.

The Eisenhower Administration is taking a new and more optimistic approach to the East-West summit meeting, now only six weeks off. There is real hope this week among many U.S. officials that the conference will clear the way for a treaty banning atomic tests—and so lessen the threat of an annihilating war.

In effect, this would mean that the U.S. and Britain would agree to act jointly with the Soviet Union to set limits on the nuclear arms race, and thus limit the scope and danger of the East-West power struggle.

Administration hopes for a test-ban agreement showed up in the statement on Tuesday from the Presidential retreat, Camp David, by Pres. Eisenhower and Prime Minister Macmillan. In this statement, the two Western leaders offered to accept the last Soviet test-ban proposal as a basis for further negotiation. As things stand now, there seems to be relatively little disagreement left on the main problems involved in prohibiting nuclear tests—assuming the Russians really want such an agreement.

Even on Berlin, the other big summit issue, there is a bit more optimism expressed today than there has been in the past. Some U.S. officials feel that, along with a test-ban agreement, the Big Four may be able to work out some interim arrangement for Berlin that would guarantee the freedom of the West Berlin population. In any case, there is less fear than a few months

ago that Moscow will push the Berlin issue to the brink of war.

• **Doubters**—These hopes are not shared by all of the Administration's top officials. At the Pentagon and the Atomic Energy Commission, there still are doubts that the Russians will meet us halfway on the test ban problem. In the State Dept. there also are some skeptics who think that Khrushchev will do no more than play along with test-ban talks until after Eisenhower's visit to Russia in June; then the Soviet Premier will forget that issue and put the heat on Berlin.

There is also some concern at the State Dept. that in trying to come to terms with Khrushchev on nuclear tests, the U.S. will seriously strain its relations with France, a late comer to the atomic club and a bitter opponent of any test-ban agreement today that does not also call for destruction of existing nuclear stockpiles.

Some State Dept. officials worry, too, about negotiating over Berlin for fear the U.S. will weaken the West German government's loyalty to the North Atlantic Treaty Organization.

• **Herter's View**—Secy. of State Christian Herter, who played a key role in framing this week's test-ban counter offer, still has his fingers crossed about the summit outcome. But he has no doubts at all about the wisdom of the course the U.S. is taking. A test-ban agreement would be a real breakthrough, he believes. If the Soviets now block such an agreement, the U.S. would have at least proved good faith to the world.

• **Khrushchev's Gambit**—It wasn't only at Camp David this week that pre-summit moves were being made. On his



RUSSIANS at Geneva session, headed by Vice-Minister for Foreign Affairs Tsrapskin (left), accepted U.S. plan, with big "if."



KHRUSHCHEV, on visit to France, has little success in effort to weaken Pres. de Gaulle's policy of close ties with West Germany.

Stir Hope For Atom Test Treaty

visit to France, Khrushchev was doing his best to undermine that country's close ties with West Germany. However, Khrushchev didn't seem to get anywhere with this gambit, either in his private talks with de Gaulle, or in his public speeches.

"After a week in France," cabled BUSINESS WEEK's correspondent at mid-week, "Khrushchev may still believe that the Paris-Bonn axis is no love match, but he was beginning to grasp the fact that it's a fairly solid marriage of convenience."

I. Turning Point for World

It is the possibility of an agreement to ban military nuclear tests that really has the Administration keyed up this week. Even though Eisenhower and Macmillan have passed this issue back to the Big Three technicians in Geneva (table, page 28), the test ban is likely to dominate the news from now until the summit.

That is because a test-ban agreement could bring a dramatic turn for the better in world affairs—by far the most important shift since Stalin launched the cold war. (In the case of Berlin, the situation has to remain basically stalemated unless the Russians are prepared to push the world to the brink of war for the sake of scoring big gains against the West.)

• **New Mood**—Macmillan's sudden and dramatic trip to Washington to talk to the President symbolizes and heightens a quite new mood in Washington about the significance of actually signing a test-ban agreement. The important results of a test-ban treaty would be:

- It would stop further poisoning

of the atmosphere with radioactive wastes.

• It might stop the spread of nuclear weapons to additional nations.

• It could serve as a pilot experiment in inspection and control of disarmament measures.

• **Doing the Impossible**—The treaty would represent an attempt to do two extraordinary things which most sober students of world affairs would have said were impossible a few years, or even a few weeks, ago.

In effect, the three governments would be trying to limit arbitrarily one small part of the arms race and the world power struggle without doing anything about the other parts, in the hopes that arms control would become contagious once it becomes a reality.

Secondly, the U.S., Britain, and the Soviets would be committing themselves to try to put the nuclear arms club off limits to their respective allies. Presumably they would cajole and pressure France and Red China, and possibly other nations, to adhere to the treaty at an early stage. And there would be a moral commitment by the three not to share nuclear weapons with allies in either camp.

The expectation in Washington is that once the three big powers agree to stop testing, other nations will be under almost irresistible pressure to follow.

• **France and China**—De Gaulle might test another crude bomb or two. But he already is facing the united indignation of the Asian and African nations—many of whom he is wooing politically—and once a treaty were signed he would have the whole world against him.

As for China, the feeling in Wash-

ton is that the last thing Khrushchev wants to see is nuclear weapons in the hands of his powerful and headstrong ally, and that he has the strength to persuade Mao Tse-tung to take the nuclear pledge.

II. Behind the Shift

Complex motives are behind the U.S. and Soviet search for a test ban which inevitably would limit to some extent their freedom to wage the power struggle. The fallout peril is a common one. Both would like to set a limit to the mounting economic costs of the arms race.

Both Eisenhower and Khrushchev also have strong political motives for wanting some concrete agreement to emerge from their experiment in personal diplomacy begun last year at Camp David. Eisenhower and Herter see Soviet acceptance of a controlled test ban as leading toward general disarmament. Khrushchev, for his part, may hope that a test ban still would leave him room—because of his better balanced armed force—to practice military blackmail.

Both sides are responding to the mounting pressure of world opinion for a halt to an arms race. Some Soviet experts in Washington believe that the Soviet leaders are especially worried about accumulation of weapons. As historical determinists, the Soviets believe that the arms race inevitably at some point will lead to war.

• **Quick Change**—The sense of excitement in Washington about the prospect of an early agreement to ban nuclear tests is a recent development. Only last December, after all, Eisen-

hower expressed disappointment over the failure of the second technical conference on test-ban controls, and suggested the U. S. might feel compelled to resume nuclear testing.

Still, events have pushed both sides closer than at any time since formal negotiations for a test ban began 17 months ago, in October, 1958 (table, right).

• **Latest Moves**—In February of this year, Eisenhower proposed a treaty banning only atmospheric, underwater, outer space, and large underground nuclear blasts. Underground blasts with a force of less than 19-kilotons would be excluded, pending perfection of reliable means of detection.

The Soviets, at Geneva, came back with some minor concessions on inspection, but continued to insist that a treaty that would have to ban all tests.

On Mar. 19, the Russians accepted Eisenhower's plan, with a big condition. The three powers would agree not to conduct small underground tests—even though they could not be detected—for four or five years while joint research on detection methods went forward.

• **U. S. Debate**—Pressure immediately developed in Washington for an outright rejection of the Soviet offer. John McCone, chairman of the AEC, and Sen. Clinton Anderson (D-N. M.), chairman of the Congressional Joint Atomic Energy Committee, argued that acceptance would mean that the U. S. would have to suspend militarily important small underground tests with no assurance that the Soviets were not testing. Defense Secy. Thomas Gates took a similar, though milder, line.

Eisenhower and Herter, however, felt that the hope of getting a start on controlled disarmament was worth some military risks. They decided to accept in principle the Soviet offer of an uninspected moratorium on small underground tests, and to make a counteroffer. Almost simultaneously, Macmillan—who earlier had argued for a moratorium on small underground tests—decided to fly to Washington to urge the President not to reject the Soviet proposal out of hand.

III. Anglo-American Plan

Last Tuesday, Eisenhower and Macmillan issued their statement agreeing to a short moratorium on small underground tests provided that the treaty banning major tests could be agreed to, and that East-West research on improving detection methods was pushed fast.

The Anglo-American plan clearly falls short of offering the sort of moratorium on small underground tests that the Soviets—or even Macmillan—have wanted. Macmillan in his talks with Eisenhower pressed for at least a two-

year halt, against the Russians' proposed four or five years. But he bowed to Eisenhower's wishes for a much shorter moratorium.

• **Eisenhower's Proposal**—Eisenhower is proposing to halt U. S. underground testing only until the end of his term. He cannot commit his successor, short of incorporating a moratorium in a treaty. But then the Senate would have to approve a temporary uninspected ban on small tests—and this might increase opposition to ratification.

Furthermore, the President wants to be free to end a moratorium if the Russians don't follow through on detection research.

The President will make one additional concession. He will recommend to his successor a continuation of the moratorium for long enough to give detection research a chance to bear fruit—if the Russians hold up their end.

• **Reasons for Hope**—The Soviet delegate to the test ban talk is sure to cavil at the uncertain duration of the proposed Anglo-American moratorium. But if Khrushchev really wants a test ban treaty and intends to play fair during the moratorium, he logically should fall in at some stage with the Eisenhower offer. The fact is—and Khrushchev probably is aware of it—that the President probably has gone about as far as he would be willing to go politically.

Despite the remaining obstacles to an agreement, the hope in Washington this week is that enough progress can be made between now and May so that by the time the summit meeting is over a treaty clearly will be in the bag.

• **Berlin Stand**—The other big summit issue—Berlin—is one that potentially could put some strain on U. S. relations with West Germany. However, there is not much risk that this will become a serious problem.

For one thing, Chancellor Adenauer's position is not so rigid as it appears on the surface. He has been taking a tough stand on Berlin, partly so that he can strengthen the bargaining position of the U. S., Britain, and France. Moreover, the U. S. continues to be as tough on the basic issue of keeping a free West Berlin as is Adenauer.

Eisenhower and Secy. Herter are prepared to negotiate an interim agreement which would provide for several minor changes in the Berlin setup. But these changes would not undermine Western rights there, or jeopardize the freedom of the West Berliners. For example, the U. S. would agree to a freeze on Western garrison levels; a halt to Western propaganda and intelligence activities in return for the same in East Berlin, and a prohibition against stationing of nuclear weapons in either part of the city.

Inching

NEARLY 200 bargaining sessions were held over a 17-month span, as West and Soviet Union negotiated toward just a ban on nuclear tests. The history of these tedious negotiations points up the difficulty of persuading hostile powers to compromise in any degree their freedom to arm themselves.

However, the record as a whole does show cautious give-and-take, with the supposedly intransigent Russians making more concessions than the West—partly, of course, because they started from a more extreme position. The log of negotiations also shows a rising sense of urgency as both sides realize that the runaway arms race threatens themselves and the rest of the world with near-total destruction:

May, 1955—Soviet delegate to U. N. disarmament subcommittee, meeting in London, calls for cessation of nuclear weapon tests. No specific proposals for inspection or control.

December, 1955—U. N. General Assembly adopts U. S. proposal for 15-nation scientific committee to study effects of atomic radiation.

March, 1956—U. S. proposes limiting and monitoring nuclear weapon tests, with international control, if the Russians will accept other controlled disarmament measures, including a halt of nuclear production.

April, 1957—Soviet Union urges U. N. disarmament subcommittee to concentrate on a nuclear test ban rather than the general problem of nuclear weapons. The U. S. continues to argue that tests can be banned only after an effective inspection system has been set up to control production of fissionable material and to enforce a ban on its military use. Until then, the U. S. proposes that notice be given of upcoming nuclear tests.

June, 1957—Soviet Union announces that it is willing to recognize the West's contention that ending of tests be subject to control. It proposes a moratorium of two or three years, supervised by an international commission with control posts in the U. S., United Kingdom, Soviet Union, and the Pacific area.

July, 1957—The Western powers agree that a temporary suspension of testing should be part of a "first step" disarmament agreement that would include reduction of conventional arms and a cutoff of military nuclear production. They propose a 10-month initial suspension of tests, beginning

Toward an Atomic Disarmament Treaty

when a "first step" disarmament treaty is ratified.

August, 1957—Speaking for the Western powers, Stassen accepts Soviet proposal for a two-year initial ban on tests, conditional only upon "satisfactory progress" toward an inspection system to enforce the cutoff of military nuclear production. Zorin, the Soviet disarmament delegate, rejects the West's entire disarmament package in a violent 90-minute tirade that accuses the U.S. of tailoring its inspection proposals "to contribute to the preparation of aggressive war."

November, 1957—Kuznetsov, Soviet delegate to the U.N., declares that the U.N. Disarmament Commission is weighted against the Soviet Union and that the Russians will no longer participate. Compromise proves impossible, and disarmament talks halt.

January, 1958—Pres. Eisenhower writes to Premier Bulganin suggesting joint studies of the technical problems in policing disarmament measures, since political progress on disarmament is temporarily stalled.

May, 1958—Khrushchev replies that the Soviet Union is willing to take part in a technical conference to study ways of controlling a nuclear test ban. The U.S. agrees, for the first time consenting to negotiate a ban that isn't tied to other disarmament questions.

August, 1958—A 10-nation technical conference agrees on an elaborate system to detect violations of a nuclear test ban, with 180 control posts all around the world and inspection of all tests except those in outer space. Eisenhower proposes that political negotiations for a ban on tests be started, and he pledges a halt of U.S. tests for one year from the start of negotiations if Russia also stops military tests. He also insists that any agreement should permit use of nuclear explosives for peaceful purposes. He says the ban on testing should be on a year-to-year basis, with renewal conditional on progress in general disarmament.

October, 1958—U.S., Britain, and Russia meet in Geneva to begin political negotiation for a test ban. Russia insists at first on two treaties, one banning tests and a second providing for controls to be spelled out later. After a month or so of argument, Russia bows to the West's insistence on including inspection and control in one test ban treaty.

November, 1958—The Soviet Union launches a new series of nuclear blasts. Eisenhower continues U.S.' self-im-

posed moratorium, and Russia runs no further tests, as far is known.

December, 1958—Foreign Minister Gromyko says Soviet Union would agree to continuance of peaceful nuclear testing after a ban on military testing but would demand the right to explode one device for every one exploded by any Western power.

Jan. 5, 1959—James Wadsworth, U.S. delegate to the test ban conference, says U.S. underground blasts just before U.S. testing was suspended had demonstrated that the inspection system on which East-West technical experts agree would not always detect underground blasts of less than the equivalent of 19,000 tons of TNT. He asked another technical conference to study new U.S. data. The Russians indignantly refused, charging the U.S. with tactics of delay.

Jan. 19, 1959—Pres. Eisenhower officially dropped U.S. insistence on tying a test ban to progress in general disarmament. Reason: The Russians were beginning to negotiate seriously on a control system that could become the nucleus of an inspection and control system for general disarmament.

Apr. 13, 1959—Eisenhower writes to Khrushchev proposing a limited treaty that would ban only tests in the air or underwater, pending agreement on means of detecting underground and high-altitude blasts.

Apr. 23, 1959—Khrushchev replies by rejecting a limited ban but by agreeing, for the first time, to a limited number of veto-free, on-site inspections of seismic events that might seem suspicious.

May 14, 1959—In another letter to Eisenhower, Khrushchev expresses interest in a technical conference to consider ways of detecting nuclear blasts in outer space.

June 12, 1959—A panel of U.S. scientists reports on control system studies. It estimates it would take about three years to develop foolproof detection of underground blasts.

July 10, 1959—U.S., Soviet, and British technical experts agree on feasibility of a system to detect nuclear explosions in outer space, employing five or six earth satellites and possibly four solar satellites.

Aug. 22, 1959—Eisenhower extends the original one-year moratorium on U.S. nuclear testing until yearend.

Dec. 18, 1959—A three-power technical conference reaches agreement on improving techniques and instrumentation of an inspection system but fails

to agree on what seismic criteria could be adopted for initiating on-site inspections of suspicious events.

Dec. 29, 1959—Expressing disappointment with results of the technical conference, Eisenhower announces that the U.S. will feel free to resume nuclear testing after Jan. 1. He promises, however, advance notice of any tests.

Feb. 11, 1960—Eisenhower formally proposes a treaty banning tests, except that underground tests of 19-kilotons or smaller would not be prohibited or controlled until technical methods of detecting them could be developed through joint research. The Soviet Union continues to insist on a comprehensive ban but offers to make all suspicious seismic events eligible for on-site inspection.

Mar. 19, 1960—The Soviet delegate to the three-power Geneva test ban negotiations offers to accept the U.S. proposal for excluding small underground tests from the test ban. He ties this to an agreement of the three powers to declare a moratorium on small underground tests for four or five years while scientists of the three powers work to perfect detection methods.

As things stand, there is agreement on 17 out of 26 proposed articles of the test ban treaty and on one out of three proposed annexes. There has been no final agreement, however, on any of the key control provisions. Main problems on which agreement still must be reached are:

- Whether there should be a moratorium on small underground tests pending perfection of detection methods, and for how long.

- How many on-site inspections to check for explosions banned by the treaty will be permitted. The U.S. wants the right to inspect at least 20 seismic events per year; the Russians are talking in terms of four or five.

- The composition of the seven-nation control body proposed in the treaty. The Russians want it to consist of the U.S., the U.K., one Western ally, the Soviet Union and two allies, and one neutral. The U.S. and Britain want three Western nations, the Soviet Union and one ally, and two neutrals.

- How to meet the conditions under which the Soviet Union has renounced its right of veto on some types of actions of the control body; this renunciation is now conditional upon Western acceptance of Soviet proposals with respect to the circumstances under which the body could take such actions.

SEN. PAT McNAMARA

Chairman of the Senate subcommittee on problems of the aged and aging



ARTHUR S. FLEMMING

Secretary of Health, Education & Welfare



REP. AIME FORAND

Author of the Democratic medical aid bill



"We have waited and temporized and postponed decisions too long. The health needs of our senior citizens deserve prompt consideration and positive action." The McNamara committee findings: By 1965, between 6-million and 7-million persons still will not have any medical insurance protection.

"Approximately 6.5-million aged persons currently have some health insurance. Continued progress in the direction of covering an increasingly large percentage of the aged by voluntary hospital insurance programs will still leave us with serious problems. This Administration is acutely aware of the need for approaching this problem with a sense of urgency."

"I am convinced that use of the Social Security system represents the only sound and practical way of meeting the health needs of our growing number of retired people. The day will soon come when this workable system will be utilized."

More Help for the Old Folks

The quotations above reflect a new look in the standard election year tinkering with the Social Security system. In every election year since 1950, congressmen seeking votes have passed a new Social Security bill widening coverage and increasing benefits.

In 1950, Congress began blanketing in farm, domestic, and self-employed workers. By 1956, practically all professional groups with the exception of doctors had been brought under the system. In 1958, Congress increased benefits across the board and set up a graduated scale of higher payroll taxes over this decade designed at putting the Old-Age & Survivors Insurance (OASI) program on a self-financing basis.

• **New Notes**—According to past performance charts, it might be logical to assume that Congress would continue in the usual manner in 1960. But it became apparent early that 1960 is not going to be a usual year.

In the first place, there are not many more people who can be brought under the system. Approximately nine of every 10 persons in the U.S. already are covered, either workers directly or their families indirectly. Those groups not covered are mainly federal and state-local employees who have their own retirement systems. The bulk of the remainder are farm and domestic workers who don't make enough money to qualify for coverage.

Second, in passing Social Security legislation in 1958, Congress already has provided for a general benefit increase in 1964. And third, 1960 is a Presidential election year in which

issues, especially those of the pocket-book variety which are dear to the hearts of politicians, are hard to come by.

I. The Mounting Issue

Hence the stage had already been set for a serious attempt at a new breakthrough in the federal government's expanding welfare services. The politicians, in searching for issues to dramatize the differences between the parties, have seized on the politically potent issue of medical aid for the aged (BW- Feb. 13 '60, p62).

In the past two weeks, all the announced Presidential candidates of both parties have firmly committed themselves to some sort of medical care program for the old folks.

"This is the best election year issue there is," sums up one Democrat.

Medical care for the aged is an issue that has been around for a long time. But it took a combination of the above elements, plus the growing political bloc of older citizens, to bring the issue to a head this year.

• **Improvements**—While all the controversy over the subject was boiling up, as typified by comments of the spokesmen pictured above, the House Ways & Means Committee was proceeding in much the same old fashion.

The committee spent the week drawing up a relatively non-controversial bill aimed at improving a few benefits and extending present OASI coverage to several groups still left outside the system. The committee hopes to approve the measure next week.

It is likely to include Administration recommendations to eliminate the minimum age requirement of 50 years for eligibility for disability benefits; to raise survivor benefits of children; and to blanket in about 25,000 widows previously ineligible. The bill could bear an eventual price tag of upwards of \$750-million.

But the big fight over Social Security legislation this year is still to come as attempts are made to attach an aged medical care program to the committee bill.

• **Approaches**—Attention centers on two different proposals that adopt widely different approaches to the subject:

The Forand bill. This is a labor-backed measure sponsored by Rep. Aime Forand (D-R. I.). It would provide hospital and surgical benefits to all recipients of old-age and survivors insurance—the aged themselves and also their survivors, widows and children, no matter what age. The program would be financed by a 4% increase in Social Security payroll taxes. The Administration estimates the cost at \$2-billion annually. Senate Democratic Presidential hopefuls John F. Kennedy (Massachusetts), Hubert Humphrey (Minnesota), and Stuart Symington (Missouri) endorsed the bill at a United Auto Workers rally last weekend in Detroit.

The Nixon-Flemming proposal. Health, Education & Welfare Secy. Arthur S. Flemming, with behind-the-scenes support from Vice-Pres. Nixon, favors a program of federal-state grants

**DR. LEONARD
W. LARSON**

Chairman of the
board of trustees
of the American
Medical Assn.



**REP. TOM
CURTIS**

Member of House
Ways & Means
Committee



V. J. SKUTT

President of Mu-
tual of Omaha
and of the Health
Insurance Assn.
of America



"We believe that the ultimate solution to the problems . . . must be found in private and voluntary action at the community level and in private health insurance."

"The [Forand] proposal is discriminatory. There are, for example, almost 2-million men and women on old age assistance who would not be benefited. Four-million people over 65 are either employed, or wives of employed persons, and presumably are able to meet the costs of health care as well as they ever were."

"The competitive nature of our business offers the best possible solution to this problem. New developments will help substantially. . . . About 60% of our senior citizens who need and want health insurance will have protection by next year. That percentage will increase until three-quarters will be covered in 1965, and 90% in 1970."

Becomes Big Election Year Issue

to the aged. This plan vetoes any increase in payroll taxes and would be financed out of general Treasury revenues.

II. Split at the White House

Flemming appealed to Pres. Eisenhower for support of his program. But a coalition of conservative Administration and Congressional leaders prevailed upon Eisenhower last week to turn down the Nixon camp. Rank-and-file Republicans so far have backed the President.

But a word from Eisenhower in support of aid probably could stampede a bill through Congress this year. The pressures on the Presidential candidates, and congressmen up for reelection, are enormous.

Flemming did wring a lukewarm endorsement from the President to pursue further study of the matter. Moving quickly, the Secretary this week called in representatives of Blue Cross-Blue Shield to try to work out an acceptable program with them this year.

• **Sliding Scale**—Flemming's proposal probably would include a sliding scale of benefits pegged to some sort of maximum income test of, say, \$4,000 a year. Persons with no outside incomes would have most of their care paid for; persons with some income would receive declining amounts of aid. No one with an income above the maximum would be eligible.

Flemming's basic approach is to build on present private medical insurance programs. But he still has to de-

cide who would administer the program, state or federal agencies; the amount of coverage to be provided; fees to be charged; whether to negotiate with hospitals, private insurance companies, or the states; and whether insurance contracts should be by negotiations or thrown open to all bidders.

• **OSAI Job**—The Forand program, on the other hand, would be administered by the HEW Secretary through the OASI program, and the Secretary could negotiate either with the hospitals or their authorized representatives. Doctors could be paid by HEW, the hospitals, or through their own medical association. The Secretary could enter into agreements with private nonprofit health organizations to provide coverage, but not with private profit-making insurance companies.

The Forand bill would grant full hospital and nursing home care for a maximum of 120 days a year, only 60 of which could be hospital care. It would cover surgical costs, either in a hospital or a doctor's office, but not the attending physician's fees.

• **Live Issue**—The victory of the GOP conservative coalition at the White House may have killed any chance that the Ways & Means Committee will include medical aid in its bill. But the issue is still a live one in the Senate.

An aid program could come out of the Finance Committee, or more likely, be offered on the floor as an amendment to the Social Security bill. Kennedy already has introduced a measure that would provide up to 120 days of free hospital care for the aged.

If the Forand bill makes any headway in the upper chamber, the situation would be readymade for Flemming to step in again to try to get his own more moderate bill approved.

III. Administration's Program

The House Ways & Means Committee held up action for several weeks on a Social Security bill while intra-Administration wrangling went on over whether to support a medical program this year. In the end, Flemming had to go before the committee last week with only a stripped-down list of proposed technical changes.

The key to the Eisenhower program can be simply stated: no changes that would require any hike in payroll taxes. Committee Chmn. Wilbur Mills (D-Ark.) also favors this as the controlling factor deciding what gets into the bill.

Employers and employees currently are each assessed 3% on the first \$4,800 of a covered worker's income. The rate is scheduled to rise progressively this decade, reaching a maximum of 4½% each after 1969 for employed persons; a single 6½% for self-employed people.

Ways & Means Committee members feel the Administration program still leaves room to adopt additional Social Security improvement without changing present payroll taxes. One proposal is to raise minimum benefits to \$40 or \$50 monthly from the present \$33. Another is to ease the work test rules on income earned by Social Security recipients from \$1,200 to \$1,500 or \$1,800.

Torture Tests

Lockheed is subjecting Electra to all kinds of stress to find out why two planes came apart in sky.

In Burbank, Calif., Lockheed Aircraft Corp. is literally tearing one of its Electras to pieces in torture tests. At Lockheed's Engineering Flight Center, the plane's wings are being twisted, jerked, and crushed under every imaginable force and stress to find what will make them give way.

Nearby, another Electra is being fitted with instruments to measure stress. It will be taken into the air by crews looking deliberately for the wildest kind of turbulence. Then, in the words of a Lockheed spokesman, it will be "wrung out to the limits of its control system."

Out of these maneuvers, plus other tests in wind tunnels and laboratories, Lockheed hopes to discover why two Electras have come apart in the skies and killed all aboard (BW-Mar.26 '60,p27). A Braniff Airways plane fell near Buffalo, Tex., last September, and a similar Northwest Airlines craft plunged near Tell City, Ind., three weeks ago.

• **Urgency**—There is cause for more than the usual haste in determining what made the Electras crash. Most accidents studied by the Federal Aviation Agency stem from crew failure or faulty ground maintenance. Fewer than 20% occur because of an airplane failure. But in these cases, it's always possible that the accident cause might be built into all planes of the same type.

In both the Electra disasters, early investigation suggests that wings broke off after the planes met turbulent air in clear weather. Since seven U. S. airlines are flying 96 Electras, it's urgent to find out whether structural defects were to blame.

It no longer seems likely that all Electras will be grounded pending completion of the probes under way by FAA, Lockheed, and the airlines. But last week FAA slapped a new set of restrictions on the Electra, including a stricter speed limit.

• **Do's and Don'ts**—Normally, an American Airlines Electra, for example, would get up to about 400 mph. early in a run between New York and Chicago. As its fuel load lightened, its speed would increase to about 420 mph. FAA's first speed limit, set only days ago, reduced the Electra to a top of 380 mph.

The latest order sets maximum speeds at 295 mph. at the beginning of a flight and 315 mph. near its

end. The loss in flight time is about 20 minutes, but the gain in safety is impressive: about 50% more ability to withstand turbulence. FAA also:

- Ordered airlines to disconnect automatic pilots until the instruments are modified. It is feared that malfunction of an automatic pilot—rare but possible—could throw the Electra into a steep dive or climb.

- Called for an immediate inspection of every Electra's wings and fuselage for metal fatigue and structural damage, plus inspections following every Electra flight involving turbulence or a hard landing.

- Ordered airlines to follow factory-recommended refueling procedures. The Electra is refueled from beneath

the wing under pressure. A stuck pressure releasing valve inside a tank could result in fuel leaks, or a buckled tank pressing against members of the Electra wing.

- **Fewer Flights**—For the airlines, these orders damage the Electra's earning potential. Speed is a selling point, and the added time required to fly between two cities disrupts schedules as well. American Airlines, for example, now has to keep its 34 Electras in the air more hours. This means stretching out the hours of Electra pilots, too. But since pilots are limited to flying 85 hours a month, and not all of them can fly the Electra, American has lopped 14 Electra flights a day off its former schedule of 128.

No Easy Out in Price Cases

Electrical equipment manufacturers charged with price-fixing can't plead no contest—they must admit guilt or stand trial against the government's antitrusts.

The Justice Dept. scored a significant victory last week in its antitrust case charging 14 manufacturers of electrical equipment with conspiring to fix prices and terms of sale of their products. Judge J. Cullen Ganey of U. S. District Court in Philadelphia ordered ten of the companies to plead either guilty or not guilty to the government's criminal charges.

The ruling makes it impossible for the companies, or any of their employees also named in the actions, to file pleas of *nolo contendere* (no contest). A *nolo* plea allows the court to fine a defendant as if he had been found guilty. But unlike a plea or verdict of guilty, it cannot be used as evidence of a violation of the law in any later suits for damages allegedly resulting from the illegality.

Judge Ganey's finding practically blocks any easy way out of the embarrassing—and potentially costly—situation created for the companies by the sweeping antitrust charges. It applies primarily to Allis-Chalmers Mfg. Co., I-T-E Circuit Breaker Co., and a majority of the smaller companies in the case, all of which tried to use the *nolo* plea. The industry's two giants, General Electric and Westinghouse, have already pleaded not guilty (BW-Mar. 1960,p32).

• **Narrow Choice**—For all the companies involved, the die is now cast: They must either humbly admit guilt or make a fight in open court against charges that appear to be backed up by extensive direct evidence. If they lose, they will very probably be faced with suits for triple damages from custom-

ers in federal and state agencies and industry.

It's unpleasant enough for the companies to contemplate the effect on their public relations of trials in which a lot of dirty wash might be hung. But the amount of damages that might be collected is positively frightening.

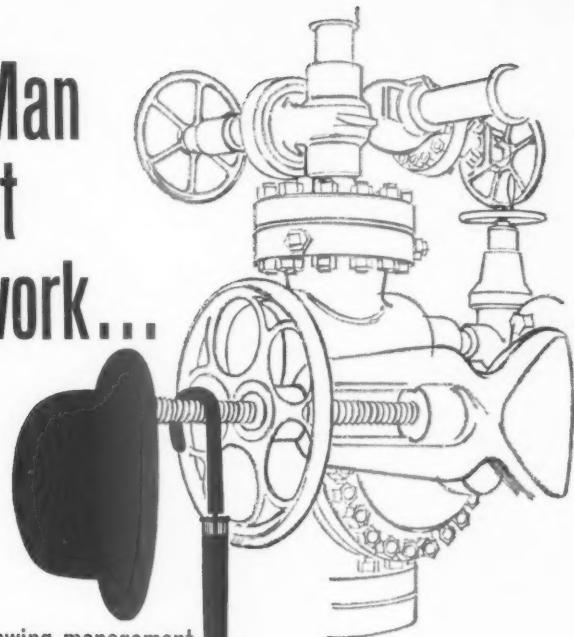
- **Suspense**—Judge Ganey's decision came as something of a surprise. Routinely, the government objects to the entry of *nolo* pleas in criminal cases—as it did when some of the electrical equipment makers pleaded that way. But, just as routinely, a judge usually accepts the pleas anyway—for the practical reason that the court doesn't then have to go through an actual trial. There was general speculation that if the *nolo* pleas were allowed to stand, other defendants who had pleaded not guilty—GE included—might switch to *nolo*, too. Five Westinghouse employees had sought to make just such a switch, and so it had Hubbard & Co. in two cases.

In the usual antitrust prosecution, settlement of a criminal indictment by a *nolo* plea is normally followed by negotiation of a consent decree in the companion civil case, if one has been filed. This way, the government collects a fine of up to \$50,000 on each violation, and, in the consent decree, the defendant agrees to go and sin no more.

In practice, this procedure can be extremely valuable to the antitrust defendant. Neither the fine nor the consent decree can be used by an outsider in a damage suit as evidence of a law violation.

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cases against the electrical companies are not following the usual antitrust course. For one thing, the government believes its evidence will show willful and deliberate contempt for the laws against conspiracy. It's eager to make an example of the defendants, if it is at all possible.

In addition, Justice attorneys feel that substantial damage claims by states and other possibly injured parties would be difficult to sustain without verdicts of guilty in the civil or criminal cases.

• **Boss on Hand**—Last week's courtroom scene provided a dramatic example of the importance placed by the government on the issue of the nolo pleas. To the surprise of defense lawyers and reporters, the chief of the Antitrust Div., Robert A. Bicks, walked in to help present the Justice Dept.'s view.

Together with William Maher, the government antitrust lawyer in Philadelphia who conducted the grand jury investigations leading to the charges, Bicks argued that the "ends of justice would be thwarted" by allowing the nolo pleas. He pointed out that if the companies could plead no contest, they would still be free to deny the charges in damage suits.

To back up his argument, Bicks brought along from Washington an affidavit from Atty. Gen. William Rogers. Rogers termed the charges against the 14 companies and 18 officials "as serious instances of bid-rigging and price-fixing as have been charged in the more than half-century life of the Sherman Act." If the nolo pleas were accepted, he declared, it would mean that "as a practical matter insistence on guilty pleas or guilty verdicts would never be appropriate in any antitrust case."

• **Short Mediation**—Judge Ganey did not appear to be persuaded by Bicks' arguments. Just a week earlier, he had indirectly encouraged the companies to plead no contest.

So it was almost a shock when the judge returned from brief deliberations in private and upheld Bicks. Describing the cases as "extraordinary," he said he felt "constrained to follow the judgment" of the Attorney General.

The pleas of guilty or not guilty must be filed next week. If the companies should decide to plead guilty, a trial would, of course, be unnecessary, and there would be no litigation over the question of whether they violated the law. But separate legal actions would be required to determine damages.

If the companies should join with GE and the others that have already entered not guilty pleas, the trial would take place at a time set by Judge Ganey. It would probably be held before a jury.

Credit Terms in Bigger Type

Proposed bill requires that consumers be furnished with a written statement spelling out total charges and annual interest rates on any credit transaction.

A short piece of legislation with a long title—S. 2755, "a bill to assist the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit"—is stirring up attention in Congress.

Hearings on the bill started last week before a Senate banking and currency subcommittee and will resume next week. Supporters of the new labeling bill hope to wind up hearings by the middle of April. They expect favorable committee action and hope for a floor vote in the Senate in time to assure House passage—all in the remaining months of this session of Congress.

This is a big order. There is going to be opposition, however tenderly expressed. But there is almost irresistible political appeal to the bill proposed by Sen. Paul Douglas (D-Ill.). Douglas already has almost two dozen Democratic co-sponsors, plus a lone Republican, Prescott Bush of Connecticut.

• **In Writing**—Douglas' bill would require that people buying anything on credit be furnished with a written statement showing (1) total finance charges, and (2) annual interest rates. Rules and regulations would be handled by the Federal Reserve Board.

The primary purpose of the bill, according to Douglas, is simply to give buyers the information that—according to some impressive consumer surveys—they all too often lack in appraising various installment types of purchases.

• **Reactions**—In political terms, opposition to the bill is almost impossible. As Sen. Wallace Bennett (R-Utah) puts it, "You cannot be against this bill without seeming to be in favor of sin." Bennett, so far, is the only really outspoken critic on record.

Statements on the bill already furnished the banking committee by various federal agencies indicate some of the main points that will be made in testimony next week by both government and private business organizations.

William McChesney Martin, chairman of the Board of Governors of the Federal Reserve System, for example, is lukewarm. Martin says, "The board strongly endorses the objectives of the disclosure requirements of the bill, but believes it would not be appropriate to vest the board with responsibility for administering its provisions." Martin feels that some other agency ought to do the job.

However, Federal Trade Commission

Chmn. Earl Kintner, whose agency is primarily engaged in the regulation of trade practices, says he would "favor the principle" behind the bill, but "defers to the judgment and experience" of the Fed.

Jesse Wolcott, chairman of the Federal Deposit Insurance Corp., testified he "commends the objectives" of the bill—but considers it a subject "of doubtful propriety for federal legislation" and thinks the whole area should be left to the states.

By contrast, the Treasury Dept. endorses the bill, with no qualification.

So far, the committee has heard only favorable witnesses—representatives of the Better Business Bureau, government credit union spokesmen. One witness said he was "in favor of anything that will voluntarily restrain millions of families spending up to 40% of their income in installment payments."

When such statements are made, Douglas is quick to reassert his claim that the bill is not really intended to curtail or reduce installment buying.

• **Effect on Economy**—There are those who warn that the bill might have a recessionary impact on the economy. Some economists and some bankers differ on this.

Dr. George Katona, professor of economics and psychology at the University of Michigan, is one who suggests that, temporarily at least, passage of the Douglas bill might have "adverse consequences on the rate of automobile purchases. . . ." Katona's consumer research is relied on heavily by the committee to show that even among well educated, upper-income families, there is woeful lack of knowledge about current levels of installment finance rates. But Katona worries, as will others, whether some people might decide to give up or postpone discretionary purchases.

Like almost all other economists polled by the committee, Katona doubts that the bill would permanently depress installment buying—on the ground that motives for installment buying are not primarily dependent on costs.

There has even been some opposite speculation—that the Douglas bill might have an inflationary effect. According to this theory, the disclosure bill would tend to drive down financing rates and thereby release or divert current purchasing power now going into finance charges to an increased demand for goods.

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In Business

Sears Moves Younger Men Up, With Baker to Be New President

Sears, Roebuck & Co. this week announced top management changes, to be carried out next month. Younger men are moving up.

Chmn. Fowler B. McConnell is retiring after only two years, the shortest tenure in his post in Sears' modern history. He is 65, the retirement age recommended by his predecessor, Theodore V. Houser.

To succeed McConnell as chairman, 63-year-old Charles H. Kellstadt vacates the presidency. The new president will be Crowdus Baker, 54, vice-president and comptroller. Baker's present post will be taken by Arthur M. Wood, 47, vice-president and secretary.

Troubles Pile Up for Radio-TV; Now the Raters Are to Be Rated

Life remains turbulent in the radio-TV business:

- The Federal Communications Commission is reported looking for a graceful way to backtrack on its sweeping order a few weeks ago that every donation of a phonograph record, stage prop, or prize on a giveaway show must be identified on the air. Rather than clutter their disk jockey shows with credits, NBC and CBS now say they'll buy phonograph records instead of accepting them as review copies.

- Now the Congressional probers of TV are planning to rate the audience rating services. The House Legislative Oversight subcommittee that has been looking into payola and other industry offenses hired three professional statisticians to check on whether the rating services' audience samples are truly representative.

Erie, Lackawanna Pass ICC Test

In Biggest Postwar Rail Merger

The Erie and the Lackawanna railroads this week got a go-ahead from an Interstate Commerce Commission examiner for the merger they have been planning for the last three and a quarter years.

Said examiner Hyman J. Blond: "The merger of . . . these two financially weak roads . . . would enhance the adequacy of service." The two railroads estimate that after five years of merged operations they could save \$13-million a year. Stockholders of both roads have approved the plan.

The Erie-Lackawanna merger would be the biggest since World War II; in combination, they would operate more than 2,900 mi. of track in the East and Midwest. The merger of the Norfolk & Western and the Virginian, approved by ICC last year, combined those two into a

2,700-mi. line. Approval for the Erie and Lackawanna would probably prompt other roads to plan mergers. At least 18 others are studying merger schemes, and many in the industry feel ICC has lately grown much more ready to approve rail consolidations.

Examiner Blond's recommendation is not the final hurdle for the Erie and Lackawanna. The roads must wait for the full ICC's approval. Three other railroads—the Lehigh Valley, Nickel Plate, and Wabash—earlier protested the merger, and they still have a month to lodge new objections.

ICC at midweek approved a five-year-old request by **Consolidated Freightways, Inc.**, of Menlo Park, Calif., to acquire control of Motor Cargo, Inc., of Akron for \$9.3-million and assumption of \$4.2-million liabilities, and Liberty Motor Freight Lines of Secaucus, N. J., for about \$2-million. ICC refused permission for control of three other trucking lines.

GSA Moves Toward Authority To Put Rubber Back on Market

It begins to look as if the General Services Administration, caretaker of the strategic stockpile, will get Congressional permission to turn 470,000 long-tons of natural rubber into the market over a nine-year period.

Rep. Carl Vinson (D-Ga.) introduced a bill granting such authority, and little opposition seems to be developing. Vinson said the government, at current market prices, could make up to \$30-million profit, plus saving "enormous" storage costs.

The disposal plan is part of the Administration's effort to unload nearly half its \$8.5-billion stockpile of commodities that are no longer so strategic (BW—May 23'59, p104).

GSA's proposal to sell natural rubber upset the market last fall, especially since Congress was cutting off the agency's funds for buying rubber to replace stocks sold periodically to keep the inventory fresh. But the alarm subsided when GSA made it clear that the major disposal would be phased over nine years.

Business Briefs

AEC and the Interior Dept. are looking for a new site for a \$6.5-million plant to use nuclear heat to distill fresh water from seawater. AEC's safety advisers thumbed down the first choice, the Point Loma section of San Diego. Too many people would be exposed to danger if an accident should release radiation into the air during the same weather conditions that produce the area's smog.

New American Library of World Literature, Inc., of New York is being merged into the **Times-Mirror Co.**, newspaper, of Los Angeles through an exchange of stock. NAL is rated the world's second largest publisher of paperbacks, with annual sales of more than 33-million books (Signet and Mentor labels).

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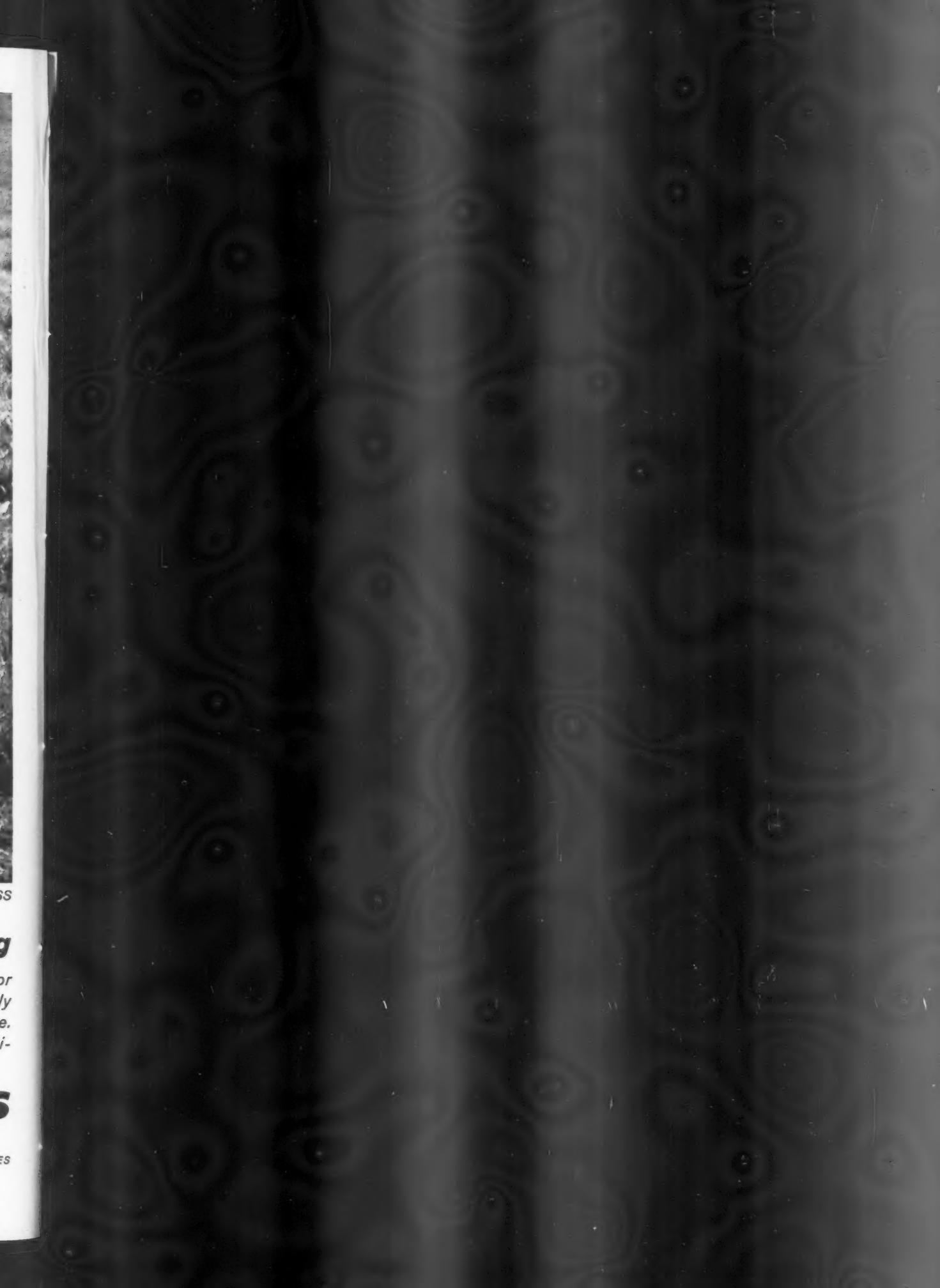
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
APRIL 2, 1960



Democratic "liberals" despair at the Congressional pace. With the Easter recess only two weeks distant, the session strikes them as listless and in danger of bogging down. This means their hopes of bombarding Pres. Eisenhower with a steady outpouring of election year spending bills, while not yet given up entirely, are growing dimmer every day.

The pace suits Eisenhower's lieutenants in Congress. Between now and adjournment in early July, they would settle happily for a moderate civil rights bill (due now within the next 10 days or so), removal of the 4 1/4% interest rate ceiling on long-term bonds (which is in jeopardy, owing to Democratic opposition), extension of corporate and Korean excise tax rates, and passage of the routine appropriations bills.

After three months, the session's accomplishments are hardly impressive, particularly if judged on the basis of work finally done—that is, bills passed and sent to the White House. Thus far, there have been only two of substantial nature. The first, vetoed by Eisenhower, would have increased federal spending to combat stream pollution. The second, reducing the excise tax on cabaret and night club checks from 20% to 10%, was sent to the White House only at midweek. It, too, faces a veto threat. The Treasury Dept. is concerned at the \$20-million annual revenue loss it would pose.

"Liberal" hopes for a breakthrough depend on the situation in the House.

Heat is being applied to the Rules Committee. Under ultra-conservative Chmn. Howard W. Smith of Virginia, the committee has held since April, 1959, a \$251-million bill for relief of depressed areas. This bill is a "must" on the election year list of most Democrats who style themselves liberals. They are working intensely on Speaker Sam Rayburn, knowing he is the only party leader who can cause Smith to move.

The same Democrats protesting about the blockade on the depressed areas bill fear that Smith's group also will attempt to put a quietus on (1) the \$975-million school construction bill, just recently referred to the Rules Committee, and (2) a bill soon to be sent there, proposing to raise the minimum wage and extend its coverage.

Heaviest lobby pressure at the moment is on the Forand bill, for federal medical health insurance (page 30). Organized labor is whipping up an avalanche of mail in the bill's behalf, but its chances for passage this year seem slight.

—•—

Sen. Stuart Symington broadens his Presidential campaign repertory. The Missourian is solidly established as the Democrats' foremost critic of Eisenhower defense and, particularly, missile policies. Symington's task now, as his friends see it, is to obtain recognition as a broad-gauge candidate.

He will continue to hit hard on defense. But look for the "new Symington" to be more articulate in denouncing tight money and in pleading for such things as agricultural reform and more and better schools.

Symington's strength in the Presidential race is entirely speculative at this time. He seems assured of Missouri's 39 delegate votes to the nominating convention, hopes for further bloc help from southern Illinois, and counts on a scattering of delegates from several Western states.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
APRIL 2, 1960

The Symington strategy is to make himself and his views better known, establishing his availability and suitability as a compromise candidate in event of a convention deadlock.

—•—
The Republican "Old Guard" is restive as its influence wanes.

Two clear notes of protest have been sounded by them within the past week. In the first, South Carolina Republicans pledged their 13 votes in the Presidential convention to "Old Guard" Sen. Barry Goldwater of Arizona. In the second, Goldwater came close to an open break with Vice-Pres. Richard M. Nixon, the nominee-apparent, whom he accuses of drifting "toward the left."

Nixon's advocacy of limited federal health insurance for the aged—an advocacy that he could not sell to Eisenhower, incidentally—is the point at immediate issue between Goldwater and the Vice-President. But those best acquainted with the situation say the problem goes deeper, that its roots lie in Nixon's ambition to broaden the party's base of popular appeal.

The Nixon forces count heavily on the 1960 platform as the first big step. Ordinarily, party platforms get only fleeting attention before they are cast aside. But seldom has any candidate had the chance that seems to be Nixon's in 1960—that is, to make his party's platform a statement of his own political beliefs. "Old Guard" influences will be minimized this year.

If the protest develops any depth, then writing the platform may provide some excitement at the Chicago convention. It's an element that the party managers, with an eye toward luring a large TV audience, would welcome. Just getting ready to write the platform may provoke a fight. Nixon leans toward Charles Percy, chairman of Bell & Howell Co., as head of the platform committee. To install Percy would mean easing aside Rep. Melvin Laird of Wisconsin, generally identified with the "Old Guard" wing of the party, who has unofficial seniority rights due to his platform work at the 1952 and 1956 conventions.

—•—

A shake-up may be coming at the Federal Power Commission as a result of the current flareup about a gas pipeline case. Involved are private conversations held by New Deal Atty. Thomas G. Corcoran, an agent for Midwestern Gas Transmission Co., with three members of FPC, including Chmn. Jerome K. Kuykendall.

These conversations, which occurred last fall but were disclosed only recently, came while FPC was considering the rate of return Midwestern should be allowed on its gas pipeline from Canada into the upper Midwest.

The Justice Dept. is investigating, ostensibly to determine full details of the role played by Corcoran, the onetime New Deal braintrust known as "Tommy the Cork," since he did not appear in the case as attorney of record for the pipeline company. Any such inquiry will inevitably focus also on the FPC chairman and his colleagues.

One of the byproducts of the present FPC case is the dooming, for another year, of efforts to free independent natural gas producers from utility-type regulation. The case for the producers has no connection with the current headlines, but repeal of FPC's authority over natural gas rates at the wellhead would be difficult of legislative attainment any time. No matter whether justly or unjustly, the Midwestern case has poisoned the political atmosphere for the entire gas industry for the moment.





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Rate Decline Is Bottoming Out

There are indications that interest rates may stabilize near their current levels—if business is reasonably steady.

This week, 91-day Treasury bills sold to yield 2.792%, the lowest level since last May. Only a few months back, in December, the Treasury bill rate was 4.670%. The big tumble in bill yields over this three-month period is the sharpest ever recorded, surprising even the most experienced money market men.

Normally, a dramatic drop in bill yields indicates that monetary policy is being shifted. As the most sensitive of short-term money market instruments, Treasury bills usually are the pacesetter for all other interest rates. This appears to be the case now, for other short-term rates have followed the precipitous trend of the bill rate (chart).

It may well be that the current level of interest rates will prevail over the next few months, not going up substantially and not falling any further. Interest rates, of course, rarely stabilize for any length of time due to the fact that expectations play such a large part in the market. But if business is reasonably steady, the prospect is for fairly stable rates.

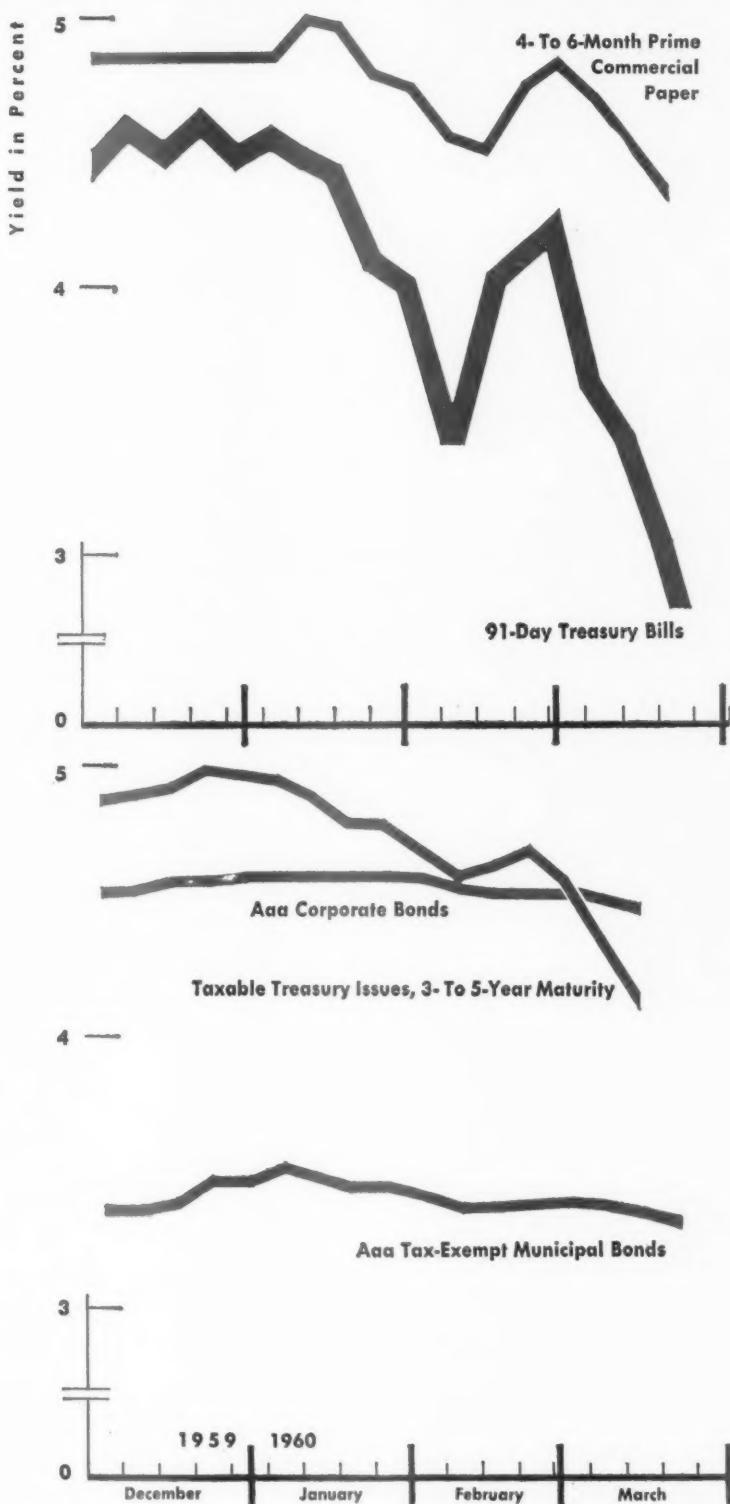
- **Seeming Ambiguity**—To those outside the money market, the picture is confusing. While short-term rates have plunged down, most borrowers still find money tight—and expensive. They have heard that the Federal Reserve has shifted policy, and they are waiting for the new ease to reach them.

Indications are that it may be quite a wait. Despite the dramatic fall in the bill rate, and the drop in other yields, the money market is still not convinced that the new trend is permanent. On the contrary, most government dealers think that money rates are now close to the bottom, and that there is little likelihood of further declines. They do not think that the Federal Reserve will lower its discount rate, now at 4%, or that the commercial banks will reduce their prime lending rate of 5%.

- **Policy Shift**—Money market men agree that there has been a shift in Fed policy. But they do not feel that it is the kind of change that justifies a continued reduction in rates. As they see it, the Fed did not move from tightness to ease, as it did in late 1957; instead, the money managers have made a much more subtle change—from a policy of increasing restraint to one of a relaxation of restraint.

Money rates, however, seem to be

Money Rates Take a Speculative Drop...



Data: Board of Governors, Federal Reserve System; Moody's Investors Service.

reflecting a much bigger change—to actual ease. But money men explain that the dramatic fall in rates was due largely to the fact that they had soared too high late last year. At that time, the expectation of a resurgence of credit demand and the optimism about the "soaring sixties" led to a sharp runup in bond yields. The market expected the Fed to keep its foot on the credit brakes, and there was talk of a new round of interest rate hikes—in the discount rate and the prime rate.

As one veteran market man puts it, "We went out on an awfully frail limb and when it was sawed off, we came hurtling down." Now, he adds, money rates are as "unreal" as they were at the turn of the year.

• **Limited Impact**—Businessmen, who are not money experts, are likely to be confused by the sharp shift in rates. But bankers are not planning to make any reductions in loan rates—unless the Fed takes some overt action. The banks say that business loan demand, while below the optimistic expectations of the year-end, is still strong. In New York for example, where there was a net reduction in loans during the first quarter of 1959, it is expected that there will be a net increase this year.

Moreover, the collapse in short-term rates has not spread to the capital market. As the chart (page 45) shows, yields on long-term corporate and municipal bonds have slipped somewhat, but not to the same extent as Treasury bills. True, short-term rates are always more volatile, but market men say that if money is really easing, then the long-term market would reflect it much more markedly. In 1957, for example, the drop in short-term yields was much less than it is now, but the drop in long-term yields was much greater.

Thus, the drop in yields hasn't had a widespread impact yet. It has been mainly limited to the money market. The chief beneficiaries have been the U.S. Treasury and the relative handful of big industrial and financial corporations that sell their own paper in the market.

• **Business Pays**—This is not the case at the banks. Business borrowers are still paying 5% or more for their loans. And banks still insist on getting compensating balances, which can increase the real cost of borrowing by as much as 1%.

Most important, home buyers—who of all borrowers are the most sensitive to changes in money rates—have yet to get any benefit from the decline in money costs.

Mortgage bankers do say that the "tone" of their market has improved, due to an influx of funds into mutual savings banks, which were hard hit when depositors drew out funds to buy the

Treasury's offering of "magic" 5% notes (BW—Oct. 10 '59, p151). But this improvement in tone has not yet made any noticeable difference in the rates paid by home buyers.

Similarly, the slip in long-term borrowing costs for business has been limited. This week, Louisiana Power & Light Co., whose bonds are rated "A" by Moody's, sold a \$20-million issue, which was offered to investors to yield 4.93%. This compares with a yield of 5.10% that Texas Electric Service Co.—which also is rated "A"—had to offer in early February in order to attract investors.

• **New Spurt**—Long-term rates have been relatively stable because corporate and municipal financing, which has been comparatively quiet during the first quarter, is slated to take a sharp increase. In April alone, 15 public utilities will be in the market for well over \$300-million, in addition to substantial offers from industrial companies such as General Development Corp. and U.S. Plywood Corp.

Long-term governments haven't shown quite the same stability. Their yields have declined from 4.4% in January to under 4% in some cases now. This decline has sparked rumors that the Treasury will attempt to take advantage of the strength in the market and offer a long bond to investors this week (BW—Mar. 26 '60, p154).

But bond dealers caution that the government market is very thin, subject to sharp price fluctuations on relatively small buy or sell orders. They feel that if the Treasury does sell a long bond—\$750-million is expected to be the minimum amount that would be sold—then a lot of steam will be taken out of the rally in bond prices, and the decline in yields.

The tax-exempt municipal market was helped for a time by a sharp decline in bond issues scheduled for sale. According to Bond Buyer, the trade publication for the field, the visible supply of municipals, which is the total of bonds scheduled for sale in the next 30 days, dropped as low as \$134-million on Mar. 9. This week, the visible supply was back up to \$276-million, and gives every indication of continuing to climb.

• **Up to the Fed**—Just what does happen to interest rates, of course, will to a great extent depend on what course the Fed follows.

If the Fed should make a reduction in the discount rate, the banks would cut the prime rate. But this does not appear to be in the cards now. Fed officials say the prevailing economic climate reflects a "liquidation of the inflation psychology," rather than the beginning of a serious downturn in business.

However, there's no simple answer for the Fed in determining its course of

action. Actually it is facing a dilemma. Because of high interest rates, corporations and other large holders of bank deposits have been draining off funds into open market investments, such as bills and commercial paper. This was important last year in limiting the growth in the money supply—demand deposits and currency—to only 4%. Now, with the economy showing signs of topping out, the Fed thinks the money supply should be increased, but it does not want, as yet, to move to an aggressive policy of ease.

• **Tighter Reins**—This attitude shows in the way that the Fed has been managing its open market operations—it's daily buying and selling of Treasury bills by which it implements its monetary policy. Last week, with money in superabundance for a short time due to a number of technical factors, the Fed was hardpressed to keep some semblance of restraint on the market, to prevent rates from falling even further.

Over the week ended last Wednesday, the Fed reduced its holdings of Treasury bills \$373-million, which meant that that amount of funds was removed from the banking system's lending base. In spite of this tightening, net borrowed reserves—which are the best indicator of the tightness of money—were lower than week than they were the previous week. Nevertheless, the Fed's action in selling a substantial amount of bills is a clear indication of its intention to prevent a runaway easy money policy.

• **Loan-Deposit Rates**—The fact remains that while the over-all position of the banking system is easier now than it was nine months ago—net borrowed reserves are down to \$148-million compared to \$500-million last July—the big money market banks are still very tight. In New York, loans are up almost \$1-billion, or 4.4%; but deposits are down by about the same amount. The result is that the loan-deposit ratio at the money market banks is over 70%—the highest since the 1920s.

With the banks so tight—and loan demand still strong, though somewhat below what had been expected in the optimistic forecasts last December—bankers have no incentive to cut rates in order to stimulate demand.

• **Prospects**—There is talk in the money market that the rate on security loans—now 5 1/2% at most banks—will be reduced to 5% soon. Even here there seems to be some doubt. At Irving Trust Co., for instance, security loans have been restricted "as a matter of policy" in order to make room for more commercial loans. "We're not anxious," says an Irving economist, "to boost the demand for security loans. We've got our hands full trying to take care of commercial customers." END

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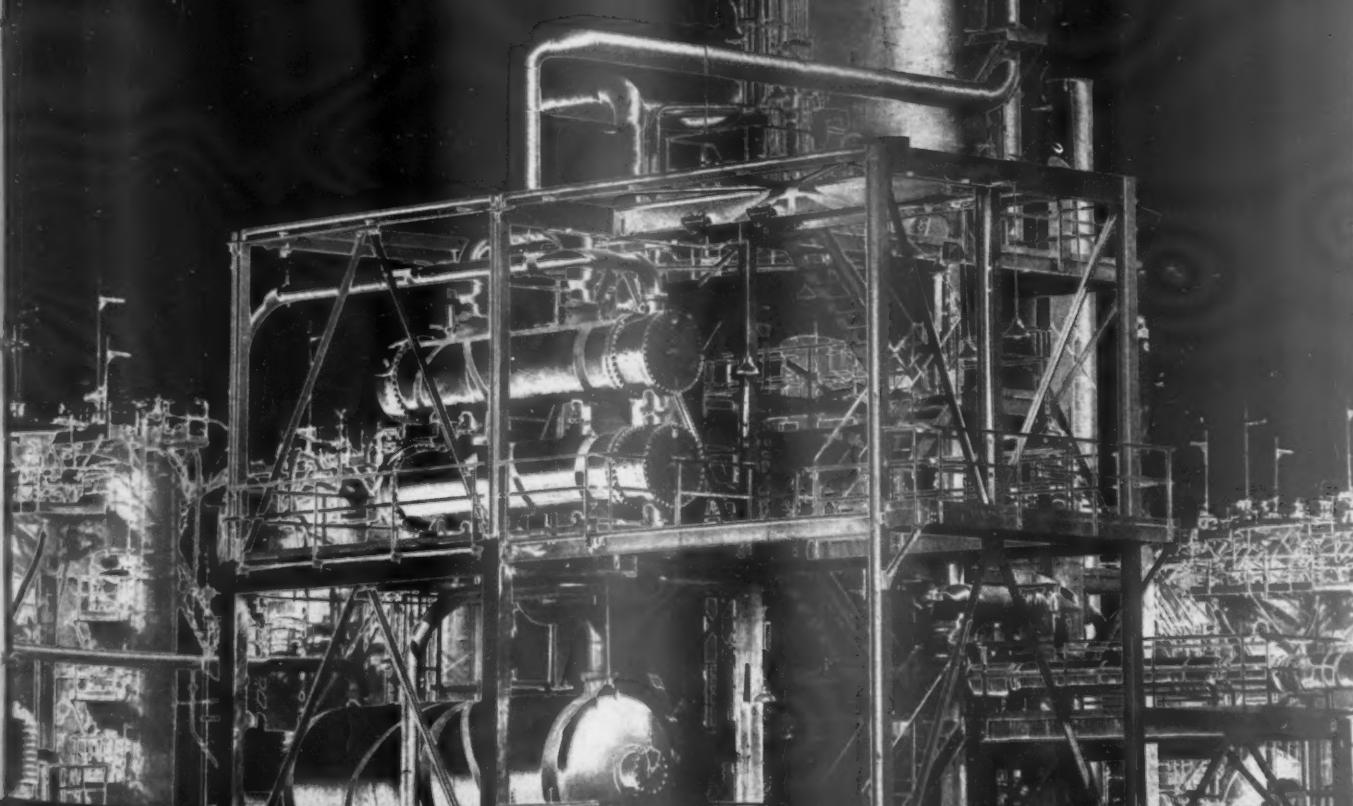
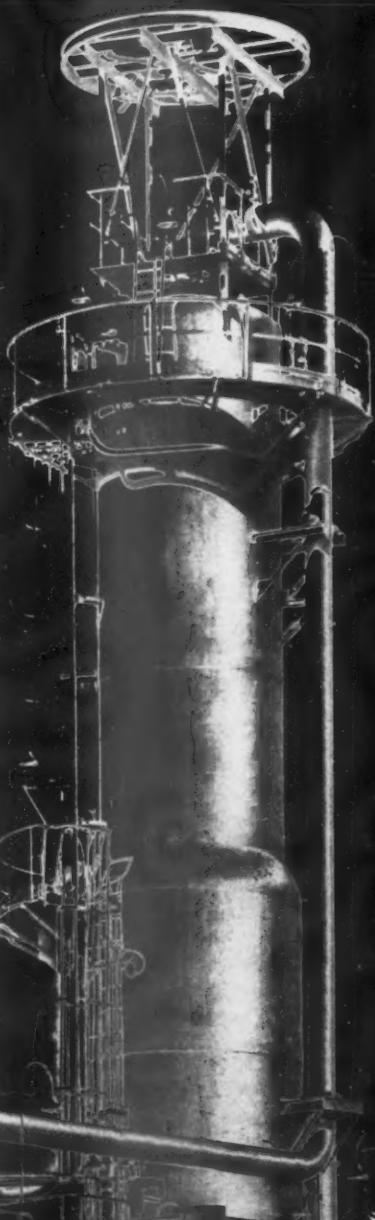
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In Finance

With Losses Piling Up, Capital Airlines Asks for Government Subsidy Again

Capital Airlines, beset by a loss of almost \$4-million in the first two months of 1960 and the threat of a \$9-million loss for the year ending Mar. 31, 1961, this week appealed for a government subsidy. It went off subsidy in 1951.

It petitioned the Civil Aeronautics Board for a subsidy of 22.5¢ per mile, which would amount to \$12.9-million a year. Capital cited bad weather, public reaction to airplane crashes, its inability to arrange financing, and a critical cash position as the factors behind its petition—which Capital men call a “temporary” measure.

The request came as a shock to the airline industry. Capital had lined up financing for 12 new jets that were scheduled for delivery later this year, and its officials had thought the worst was over (BW—Oct. 17 '59, p115). But in January, the roof fell in. The airline lost \$1.8-million in January, another \$2.1-million in February, and March figures show more red ink. Even so, its request for the subsidy is considered partly to soothe prospective lenders who were growing chilly; the line is postponing its financing of the jets.

Capital was particularly hurt by public reaction to the recent series of airplane crashes, because its customers, in short and medium hauls, are in a position to switch to surface transportation more readily than customers of long-haul lines.

But Capital may not be the only airline facing financial trouble. Says one Capital official: “I think it's clear from our move that the whole jet age needs reappraisal, that even the jets—from an economic standpoint—may have been oversold.”

Washington State Agency Turns Down Basing of Utility Rates on Current Costs

The utility industry suffered another setback last week in its fight to base utility rates wholly or partially on replacement costs of plant, rather than on original costs (BW—Jul. 18 '59, p47), when the Washington Public Service Commission rejected a request of the Pacific Power & Light Co. of Portland for a 9.5% rate boost on its Washington service.

Pacific Power's appeal was based on what the company called a “trended original cost rate base,” which, in effect, represented a combination of fair present value and original cost. The commission ruled that Pacific was making a fair return and required no increase in rates.

As described by the commission, the Pacific P&L “trended” base consisted of (1) a conversion of plant cost to the average 1959 price level through the use of 40 indexes, and (2) a new determination of depreciation.

The regulatory body criticized the selection and use of the price indexes, and said that there was an “absence of realism and reliability” in the study. It particularly

frowned on the fact that obsolete and outmoded items were cost-trended to present-day prices, with no consideration of the cost reductions that come with modern plant design.

In rebuttal, Pacific Power said: “We certainly can't agree with the conclusions. In the light of today's actual costs for new construction projects, new development capital, and everyday operations, the order faces the company with a continuing problem.”

J. I. Case Plans to Help Dividends By Cutting Inventory Growth Rate

J. I. Case Co., which reported a net loss of \$2.2-million in its January quarter, has decided to slow the aggressive sales pace set by its former president, Marc B. Rojtman, who resigned in February (BW—Feb. 6 '60, p34). In this way, it hopes to free part of its earnings for dividend payments. Case last paid a cash dividend in 1954.

As its chief step, Case intends to reduce its short-term debt by lowering the high operating expenses it incurred in maintaining a high level of inventories. Under Rojtman's sales policy, dealer pipelines were filled to the brim and, to expand dealer accounts, the company had to keep its working capital high. As one Case man put it: “All the profits went into inventory, and nothing was left for dividends.”

Now Case will slim inventories. It has started a 10% reduction in wholesale receivables—credit extended to retail dealers—and a 10% to 15% reduction in the company's own inventory of finished equipment.

Through the new plan, says William J. Grede, new president of Case, the company may not produce as much earnings as would come from a continuation of Case's rapid sales growth program. But he feels that, with lower operating expenses, the company will be able to resume dividends sooner.

Finance Briefs

The Federal Home Loan Bank Board this week unveiled the first of what it says will be a series of moves designed to halt the rash of rate increases offered by savings and loan associations. It announced an increase from 6% to 7% in the required “liquidity reserve” for federally insured S&Ls, which account for 95% of all S&L assets. This means that S&Ls will have to hold more cash and government securities in relation to total assets. Then, FHLBB hopes, they won't be able to pay out as much to savers.

The Federal Trade Commission last week charged Crane Co., the valve and plumbing company expanded in size by financier Thomas M. Evans, with violating the antitrust laws by its acquisition of all or part of five companies in the past few years. Observers feel FTC's action was prompted by Crane's recent purchase of, reportedly, 15% of Briggs Mfg. Co. stock; Briggs turned down a \$14-million Crane offer to buy its assets, and Crane picked up the shares elsewhere. The company has 30 days in which to answer the complaint.

California's New Boom Area



SAN JOSE hustled its way to a 69% population growth in 10 years. It used to live on the farm trade. Now it's jammed with scientists and skilled factory workers.

Northern California is suddenly outrunning the southern part of state in growth rate.

Every minute of every hour, since 1950, California has increased its population by one person. To reach 15.6-million this year, the state gained 5-million; only 7 other states have total populations as big as that gain alone.

For most of the decade, the growth was steepest in southern California. Although that part of the state lost some of the steepness of its growth curve after the 1954 recession, it continued growing substantially—largely because of the aero-space complex around Los Angeles.

Sometime in 1958, according to population experts, northern California (cover and pictures) picked up speed. With the proliferation of a dazzling array of industries, its growth rate is outrunning that of the southern sector. It means a startling transformation for this pleasant corner of the West Coast.

• Growth Story—San Jose (pictures)

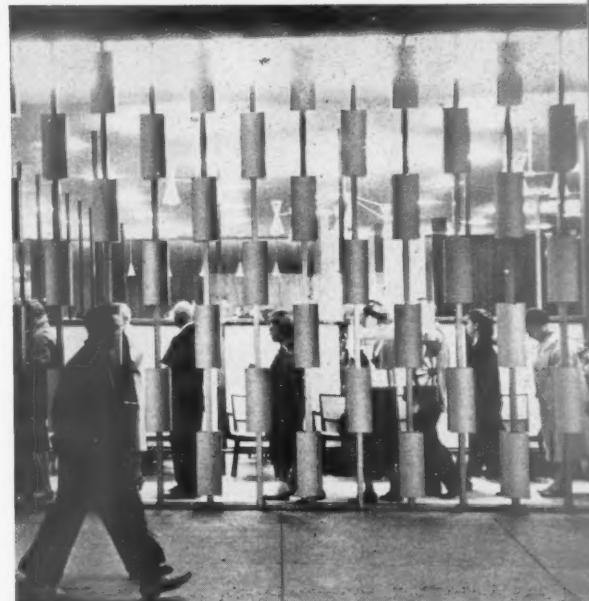
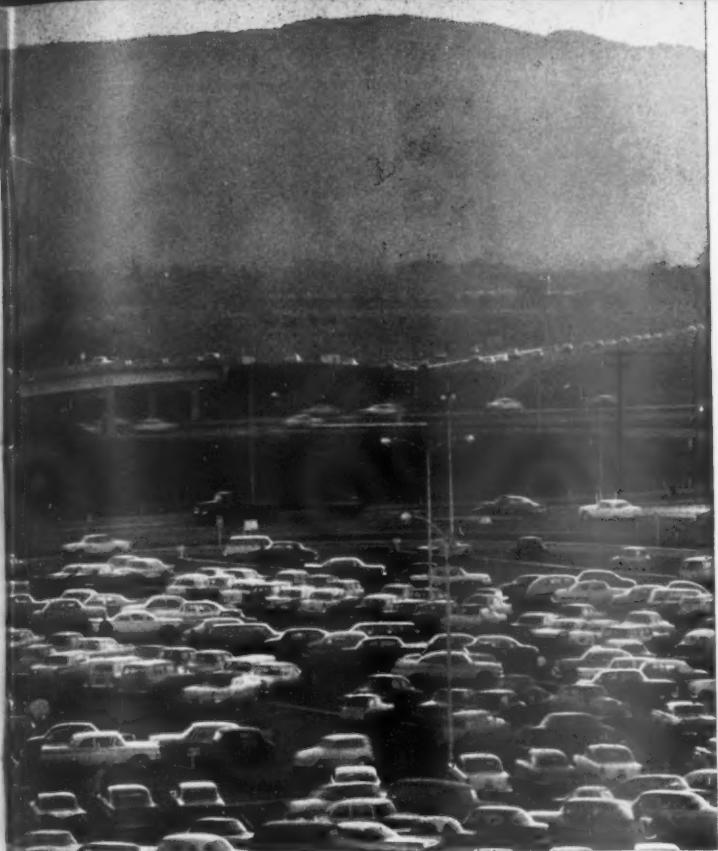


EASY LIVING in an equitable climate is itself an attraction to out-of-state people, with skills for technical jobs in industry.



CROWDED DEVELOPMENTS also rise in contrast to the California dream life. These houses cost \$12,500 to \$15,500.

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SHOPPING CENTERS to serve the growing population are in turn creating more jobs in distribution.

ACRES OF CARS, the major mode of transportation in California, crowd Lockheed's Sunnyvale lot.



CITY HALL in San Jose shows growth in government to keep up with boom.



ROOM WITH A VIEW is in Crown Zellerbach's new 20-story home office building in San Francisco's financial district.

MOBILE of aluminum, called a Hydro Gyro, stands at main entrance of IBM's new computer center in San Jose.



AGRICULTURE is still a major business, and not all of it has succumbed to mechanization. At the Paul Masson vineyards, horse and plow are used to cultivate old vines.

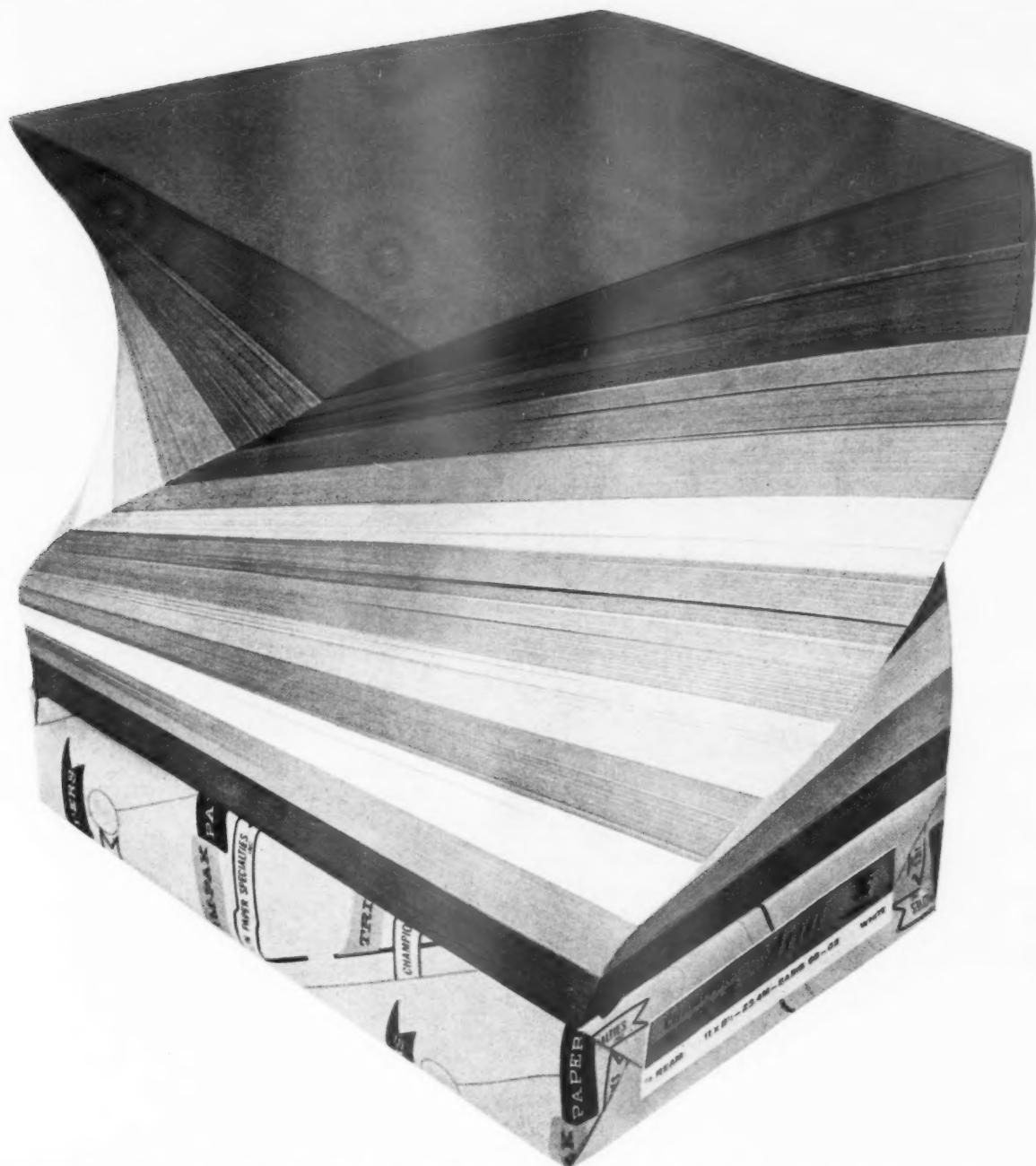
illustrates the transformation as well as any city you can name.

In 1950, this seat of Santa Clara County had a population of 95,000; its main function in life was to serve as an unglamorous distribution center to the fruit growers of the rich Santa Clara Valley. During the last half of the decade, Santa Clara County was invigorated by a host of new manufacturing plants and laboratories, turning out varieties of goods as earthbound as automobiles and as ultra-modern as satellite systems.

While profiting from the growth of its outlying territory, San Jose itself grabbed a share of the new. In 1956, for example, General Electric Co. moved its atomic power equipment department there from Schenectady, N. Y. International Business Machines Corp. built a \$16-million Ramac computer plant and training center that even enticed Russia's Khrushchev to look it over last autumn.

Today San Jose is a busy city of 161,000—up 69% over 1950. Although the accent on Saturday nights remains agricultural as ranchers and ranch workers flock to town, there is no mistaking the significance of the vast number of dark suits with narrow lapels and shoulders.

• **Brainpower**—How and why have San Jose and its sister cities of northern California suddenly burst like the plum



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blossoms of the Santa Clara Valley?

The most dramatic growth has occurred in such brain-oriented industries as electronics, missiles and space, atomic power. For them the answer is fairly simple: Northern California happens to be the only place left in the U.S. with the right combination of attractions—universities of top caliber in the physio-chemical sciences; ample land and pleasant climate; resident manpower, including both brainy men and women with nimble fingers, and urban life to attract more brainy men to satisfy the industries' appetite.

The San Francisco-San Jose region has no monopoly on the kind of brains for which these dynamic industries are looking today. Cambridge, Princeton, Chicago, and Los Angeles also have universities that enjoy the same kind of reputation as the University of California or Stanford. There, too, companies find it desirable to locate because they can exchange ideas with the people doing advanced research on campus and their men can take the advanced courses they need to keep abreast of technology.

• **Room to Grow**—Unlike most other centers of learning, however, the San Francisco-San Jose region is not already near saturation. It still has land left for construction of plants and laboratories. It still has a supply of female labor to do the delicate work on components. And the supply of brainy people is still keeping up with demand.

Moreover, to attract brainy people from other states, the region affords an enviable climate, as well as stimulating intellectual environment.

• **Broad Prosperity**—The enormous growth of the brainy industries has led to, and been accompanied by, expansion in consumer-oriented industries to serve the entire West, as well as this particular region. Hundreds of manufacturers have jumped in to supply the market with everything from aspirins to automobiles, providing in their own growth thousands of additional jobs in the distribution system. Dozens of new warehouses and shopping centers have been built to funnel the goods to consumers.

Meanwhile, for reasons all its own—chiefly, irrigation and mechanization—the agriculture of the region has reached new heights of prosperity. The San Joaquin Valley is now probably the richest agricultural area on earth. Fortunately for the valley, the terrain is suited admirably to mechanization—so well, in fact, that hardly a sugar beet or a cotton boll is picked by hand anymore. The widespread use of machinery may have eliminated the possibility of growth in farm employment, but it has served a useful purpose in strengthening farming generally.

It is not chauvinism that persuades a northern Californian to think of his region as following the valley all the way to the Tehachapi Mountains in Kern County—on Los Angeles' doorstep (cover). It's a matter of economics. The towns of the Bay counties and the San Joaquin Valley farms have a community of interest with one another and, more important, with San Francisco—the economic mother-hen of northern California.

I. "The City"

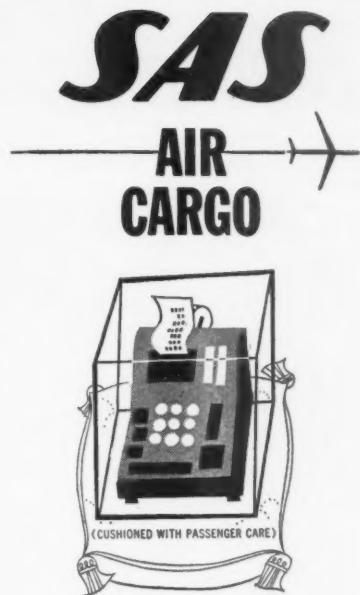
On the fingers of one hand you can count the world's cities that arouse idolatry as extravagant as that accorded to San Francisco. Paris, certainly. Rome, to be sure. Vienna, only in wistful memory. Even in California, Sacramento is merely the state capital and Los Angeles the capital of glamor. San Francisco, however, is the capital of the West. More significantly, it is known to Californians simply as The City.

Wave after wave of migrants have lapped The City's shores in the last couple of decades, most of them eddying out to the constellation of smaller cities that constitute the San Francisco Bay area. The planners and engineers have blighted her skyline with interlaced, elevated freeways. "Progress" has stilled the voice of her ferryboats, demolished some of her landmarks. But San Francisco's allure—the magnetism that can transport a Maurice Chevalier into rapture at the prospect of a visit—seems indestructible.

Scholars have blunted their wits on the study of what makes San Francisco a desirable city. Is it the hills, the ridiculous cable cars reminiscent of an era that can never be recaptured? Is it the climate, often brisk in summer when the benevolent fog creeps in from the Pacific, mild in winter when much of the country is buried in snow? Is it the throaty "bee-oh" of the foghorns on a misty night, the unmistakable smells of maritime commerce on the piers that line the Embarcadero?

It's compounded of these ingredients and more. And oddly enough, the cosmopolitan flavor of San Francisco persists despite the physical changes evoked by the great western migration of the last 10 years.

• **Growth Cramped**—The City itself, like other central cities in the great metropolitan areas of the U.S., did not gain much in numbers. Its 10-year increase was only 2%, raising its population to 800,000. Despite the validity of the Redevelopment Agency's Latin motto—"Omnis Habitare in Urbe Sancti Francisci Volunt" or, roughly, "Everyone wants to live in San Francisco"—the simple fact is that the city is locked in, geographically. It can't



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grow beyond the 45-sq.-mi. northern tip of its peninsula.

But the stability of San Francisco's population should cause no one to think it has failed to benefit from the growth of its region. It is primarily a headquarters city which has been substituting white-collar for industrial jobs.

Finance, insurance, wholesaling, and shipping are the backbone of the city's business activity. San Francisco has four of the 21 U. S. banks with deposits of \$1-billion or more, including the nation's biggest, the Bank of America. (The other three: American Trust, Crocker-Anglo, First Western.)

Moreover, the city is home for many giants of American industry—such companies as Pacific Gas & Electric Co., the Southern Pacific Railroad, Standard Oil Co. of California, Crown Zellerbach Corp., and California Packing Corp. (Del Monte).

II. Lure of Learning

As The City has basked in the intellectual prestige accorded two great universities beyond its borders—the University of California in Berkeley and Stanford University in Palo Alto—the two universities have acted as the catalyst behind much of the Bay area's recent growth.

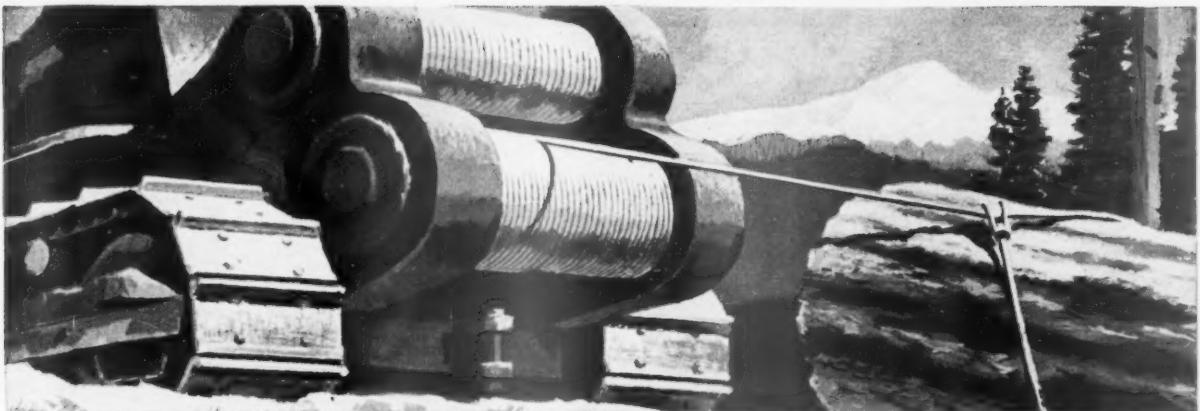
The universities fulfilled the role in two ways: by spawning native companies that are owned or staffed by their graduates, and by attracting companies from other states.

On the San Francisco Peninsula, companies for years have felt the magnet energized by Stanford early in the century when it staffed its electrical and other engineering departments with top-grade scientists. As long ago as 1912, Lee De Forest, inventor of the triode vacuum tube, developed in Palo Alto the first vacuum tube amplifier and the first oscillator. Today the 50-mile stretch between San Francisco and San Jose houses 122 electronics plants and laboratories owned, run, or staffed by Stanford engineers.

• **Peninsula Wakes Up**—Once the San Francisco Peninsula was a chain of sleepy towns strung along El Camino Real, the north-south highway. West of the highway the ground rolled up gently into the foothills of the Coast Range, affording home sites with an enchanting view. A subtle social stigma attached to land east of the Camino that slid off into the mudflats of San Francisco Bay. The night began and ended with the mournful wails of the Southern Pacific's steam locomotives summoning reluctant commuters to duty and returning them home.

Now the sexless horn of the diesel-electric and the bumper-to-bumper streams of cars on the Bayshore Freeway, which has assumed the Camino's

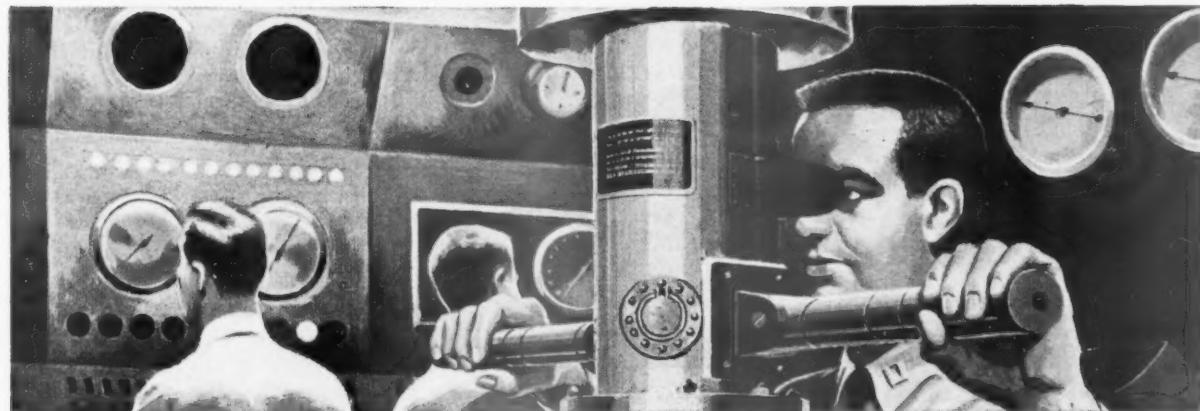
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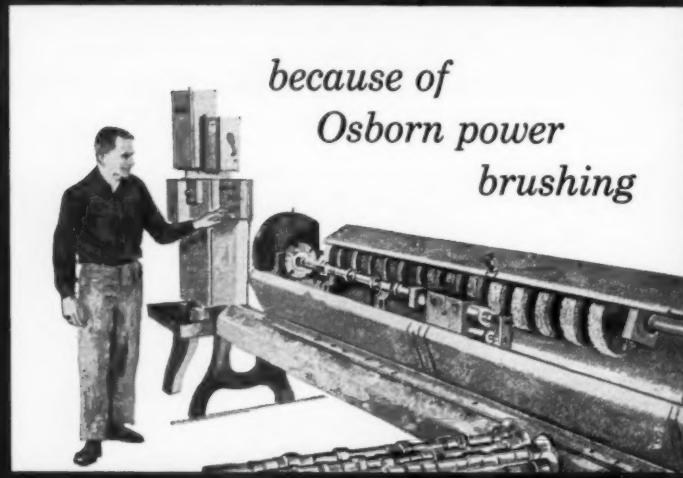


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traffic burden, epitomize the change that has overtaken the Peninsula. You can't tell where one town stops and the next starts. They expanded along the railroad and along the Camino until they were shoulder to shoulder. Then they spilled across the tracks to the mudflats and surged deeper into the foothills. In the process the Camino lost its stature as a social barrier, and "west of the Camino" lost its punch in real estate jargon.

• **Electronics Roll**—You could call the roll of the electronics industry as you drive south on El Camino Real and hardly miss a top name. IBM, Eitel-McCullough, Dalmo-Victor, Lenkurt Electric, Ampex, Shockley, GE, Hewlett-Packard, Litton, Varian, Sylvania, Philco—these and the rest of the 122 grind out upwards of \$400-million a year of electronic components, accessories, test devices, and assemblies from the tiniest silicon diodes to giant klystron tubes and linear accelerators.

Of these, Hewlett-Packard Co., dominant in electronic test instruments, is an example—perhaps an extreme one—of Stanford's role in the picture. Bill Hewlett and Dave Packard, both Stanford products, started their company 20 years ago on a shoestring, built it up to 1959 volume of \$48-million. Three of their four vice-presidents are Stanford graduates. Their board includes their electrical engineering professor, a dean, and a university trustee. And the company's main plants are on the campus, in the Stanford Industrial Park.

Stanford turned out many of the men who now make up Varian Associates, a leader in the microwave field. The director of Stanford's microwave laboratory, Dr. Edward L. Ginzon, is chairman of the board. The university also pulled in General Electric Co., which built a microwave lab of its own in the industrial park.

A good example of the proliferation that goes on is provided by three other companies—Shockley Transistor Corp., Fairchild Semiconductor Corp., and Rheem Semiconductor Corp. (BW-Mar. 26 '60, p74). Dr. William B. Shockley, one of the Bell Laboratories men credited with inventing the transistor, moved west to start his own company. Eight of his men subsequently left him to start Fairchild with capital from Fairchild Camera & Instrument Corp. (which now owns it outright), and two left Fairchild to found Rheem.

• **Atom and Space**—Electronics, however, is not the only industry on the Peninsula or the lower bay. There's GE's move of its atomic power equipment department to San Jose, followed last year by the department's parent division, relocated nearby in Palo Alto.

Lockheed Aircraft Corp. moved its Missiles & Space Div. from southern

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California to Sunnyvale and Palo Alto, now employs 14,000 at both places in the development, building, and testing of such military hardware as the Polaris missile and the Agena satellite-launching rocket. And only recently United Aircraft Corp. began to build \$12.5-million worth of research, engineering, and testing facilities in Sunnyvale and at a more remote site in the county for advanced rocket propulsion systems and fuels (BW-Mar. 5'60, p138).

• **Not All Roses**—For the cities and counties involved in this industrial growth, the process was far from an unmixed blessing. San Mateo County—situated between San Francisco and Santa Clara County—has struggled in vain to equate its tax income with the surging tide of expense.

Five years ago, forward-thinking people of the county were wringing their hands because the population was growing rapidly—putting demands on local government for services—but voters were cool to industry. Except in such pockets of resistance as Redwood City, the county seat, voters have lowered their resistance to school bond issues and industry. But even the change in attitudes has not brought in sufficient industry to keep pace with construction of homes for people who consider San Mateo a highly desirable bedroom suburb.

III. East Bay Area

The Ice Age that left a tiny finger of land protruding from the sea played a dirty trick on Oakland, and Oakland has never forgotten it. A city of vastly superior potential that was robbed of its birthright by the very proximity of San Francisco, Oakland is the economic if not the cultural center of the area known locally as the East Bay.

• **Key Location**—With only half San Francisco's population distributed in a space 20% greater, Oakland takes pleasure in The City's waterbound isolation from the continent. Oakland is the terminus of the transcontinental railroads. Beyond, motor coaches on the transbay bridge now substitute for the picturesque ferries once on the bay.

As the seat of Alameda County, Oakland sits astride a line of industry that stretches 80 miles from the paper mills on the Sacramento River at Antioch to Ford's modern assembly plant across the Santa Clara County line in Milpitas. Largely oriented to the growing consumer market—processing industrial raw materials brought in from all over or farm products grown in the San Joaquin Valley not far away—the East Bay's industrial complex encompasses such diverse plants as Cutter Laboratories, which supplied vaccines to stricken San Francisco in 1906, and

the first privately financed nuclear power plant.

• **Growing, Too**—Although Oakland's population growth, like San Francisco's, has been slight, Alameda County added 22% in the past decade. That was enough to pass San Francisco County.

Except for just after the war, when the great Kaiser shipyards in Richmond—which employed 90,000 at their 1944 peak—abruptly halted work, the East Bay has fattened its economy at a slowly accelerating pace.

The Henry J. Kaiser empire, for example, has never budged its headquarters from Oakland; it has built in that time, among other things, an integrated aluminum enterprise that ranks third in the U.S. Most of its major manufacturing operations—aluminum, steel, automotive—are carried on outside northern California. But Kaiser underwrote his faith in the East Bay by building in Oakland a 28-story headquarters of aluminum and glass whose 976,000 sq. ft. of usable office space is unequalled west of Chicago.

Oakland also is the national headquarters of Safeway Stores, whose local operations have grown with the region. Safeway operates 223 supermarkets in northern California and a string of plants from Oakland to Fresno County that process goods from milk and coffee to bread and preserves.

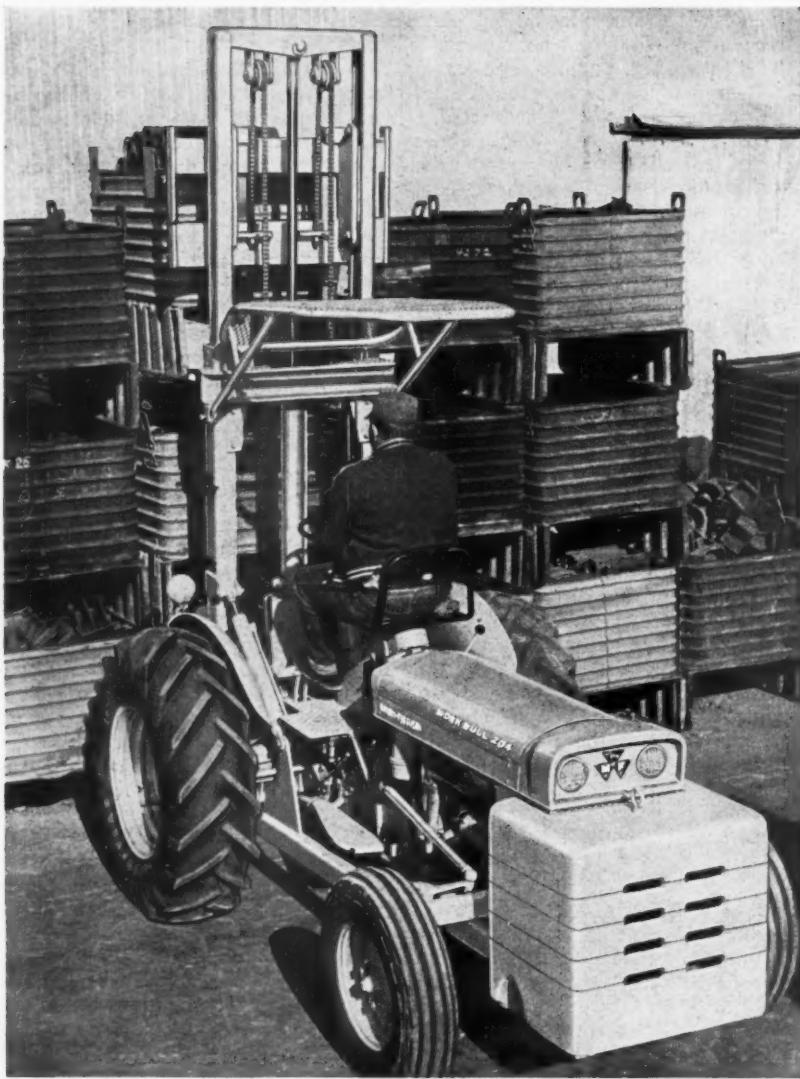
• **Campus Influence**—Nor can you wander far in the East Bay without feeling the influence of the University of California, whose home campus at Berkeley alone has an enrollment of 19,900. The university's Lawrence Radiation Laboratory was the western outpost of the scientific task force that unlocked the secret of nuclear fission. Now the lab employs 5,500 on the Berkeley campus and at nearby Livermore.

IV. Toward Sacramento

North of the Bay, there is relatively little industry from the ocean inland until you get to Sacramento.

Marin County, across the Golden Gate to the north from San Francisco, is essentially residential. It contains some of the most spectacular home sites on the Pacific slope. In wartime it provided a temporary home for a shipyard, but it was not until recently that light industry began to come in. Fairchild Semiconductor, whose main operations are in Santa Clara County's Mountain View, is building a branch plant to make silicon crystal diodes, and McGraw-Hill Book Co. is moving its western headquarters across the Gate from San Francisco.

Sonoma and Napa Counties are even less industrial. Sonoma and its Russian River were the vacation playground of "old" San Francisco and still draw summer crowds. Both counties have a much



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• **Capital Future**—In contrast, Sacramento County is rapidly strengthening its industrial sinews. Some reasons why are cited by Frank M. Dana, an executive vice-president of the Bank of America, whose spread of 667 branches throughout California absolves him from any charge of grinding an ax for any single community:

"Sacramento has the long-term potential of being the largest city in California. It has land, it has water, it has location. It's a rail hub, a major distribution center. With completion of the deep-water channel from San Francisco Bay, it will have superb port facilities."

• **Industry, Too**—Sacramento's new role goes back to 1951 when Aerojet-General Corp. bought 20,000 acres about 15 miles east of the capital on the American River. Growth can occur only where there is ample undeveloped land or developed land that can be redeveloped, and Aerojet found that it could obtain all the land it needed for its touchy work on rockets.

On the unsightly tailings of the gold dredges that raked that historic area on the fringe of the Mother Lode, the company five years ago built the first of its facilities for research, development, and testing of rocket propulsion systems. Today it has 2.6-million sq. ft. under the roofs of 633 buildings.

• **Big Ideas**—Instead of merely serving as the funnel through which the state pours millions of dollars into all corners of California, Sacramento is getting some of the money itself. The state has spent \$80-million for new office buildings to house the additional employees it needs to man the government, has another \$27-million worth in the works. And the state spent \$20-million more for a new state college.

As the trading and wholesale distribution center for the Sacramento Valley, a 19-county area reaching to the Oregon border, Sacramento is relieved to see its deep-water ship channel approaching the final stage. Since 1916, its boosters have agitated for a channel that would permit seagoing freighters to steam through San Francisco Bay, San Pablo Bay, and the Sacramento River right to the city's back door. Now the \$45-million project, including a turning basin, may be ready by mid-1963.

V. San Joaquin Valley

In California terminology, the Sacramento Valley and the San Joaquin Valley together constitute the Central Valley. The city of Sacramento is roughly at the midpoint. South of Sacramento—in the San Joaquin—phenome-

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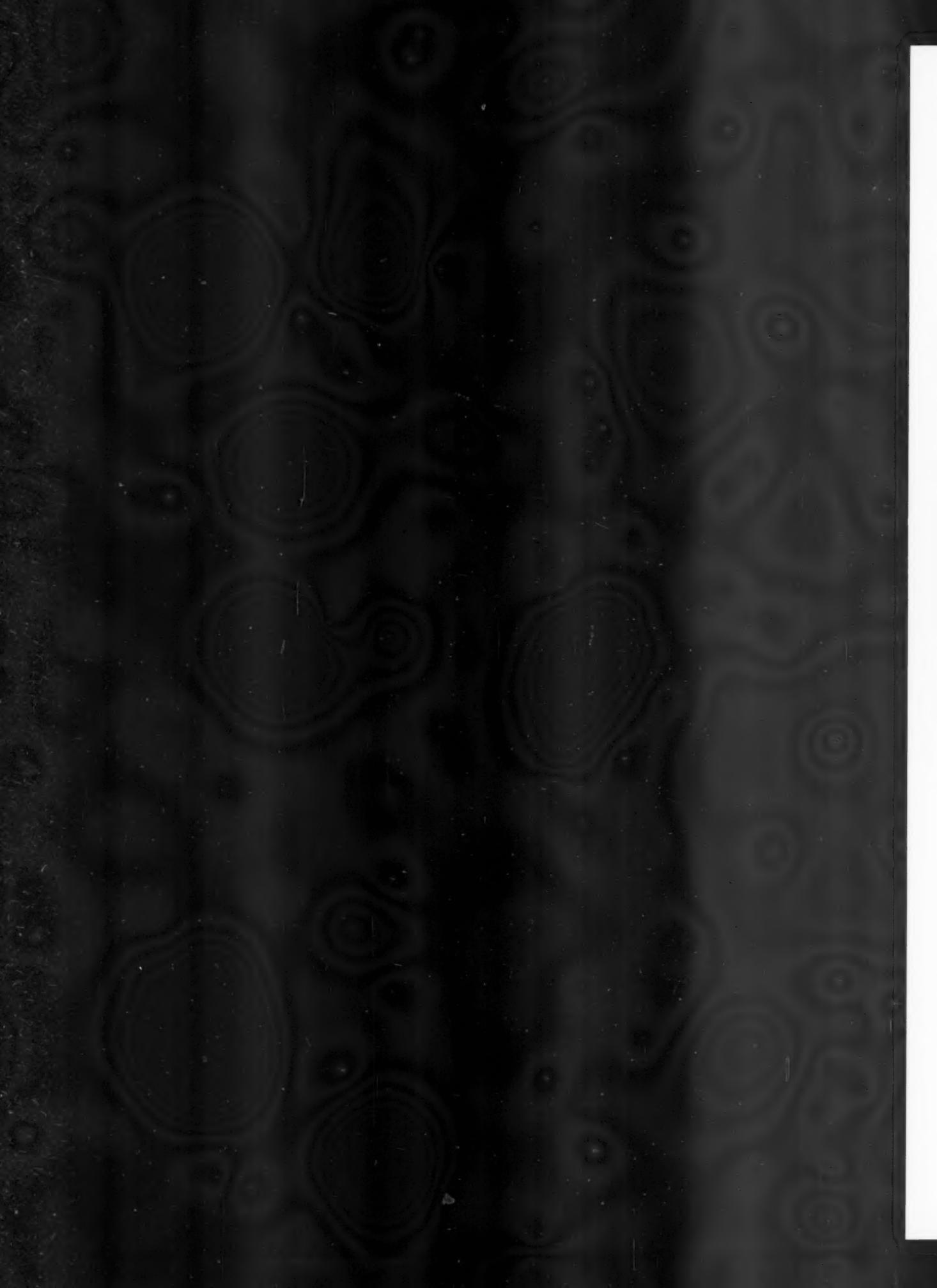
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... the valley's agriculture has not suffered the vicissitudes that have afflicted other states ...

(STORY on page 50)

nal advances in agriculture have brought riches from the soil.

• **Farm Wealth**—The prosperity of the valley has not matched the new-found industrial wealth of the Peninsula or the Lower Bay area. Agriculture does not produce so rapid an increase in incomes. But, on the other hand, the valley's agriculture has not suffered vicissitudes that have afflicted other states.

Cotton is the leading crop, followed by other row crops, grapes and raisins, melons, deciduous fruits, alfalfa, hay, grain, and seed crops. Potatoes are important in Kern County. And if you wander into Mendota, Fresno County, you even would find a deep preoccupation with the affairs of Fidel Castro. Sugar beets play an important part in the valley's economy, and if the U.S. should impose sanctions on Cuba, Spreckels Sugar Co. might build a new beet-processing plant near Mendota.

• **Leading the Nation**—The nine-county San Joaquin Valley has increased 25% in population since 1950—from 1.1-million to 1.4-million. The biggest growth (35%) was in Fresno County, which was—and is—the largest in population with 287,000.

For nine successive years, Fresno has been the richest agricultural county in the nation; its gross farm income of \$370-million last year was followed closely by Tulare County, its neighbor to the southeast. You get a comparison of the increased purchasing power in Fresno County and the other booming counties of northern California by studying state sales tax collections. Fresno County's sales subject to the tax rose 77% during the past 10 years. That's far short of the 220% in San Mateo and 187% in Santa Clara, but it exceeds the performance of San Francisco and Alameda (Oakland) Counties.

• **Non-Farm Growth**—The non-farm sector of the San Joaquin's economy has been growing, too, though it still is small in comparison. Fresno has drawn plants of companies such as Container Corp., Continental Can Co., and International Paper Co.

Some of the new branch plants are oriented to agriculture—supplying farmers' needs or providing packaging for the processed food products. And in a year or two, the region will get a touch of defense when the Navy moves its jets from the San Francisco Peninsula to an \$80-million installation at Lemoore Naval Air Station. **END**

WHAT 7 THINGS HAPPENED RECENTLY AT FRICK COMPANY* IN WAYNESBORO, PENNA. ?

*7 important things for 

1. First of all; on a foundation of our 107 years' experience, our new management has established a growth policy that stresses new product development, quality control, and expansion of field services.
2. New branch offices are being opened and the sales-engineering staffs of existing branches as well as of the home office are being increased.
3. A compressor of new design is being developed. This, like our current dependable line, will handle a variety of refrigerants such as Freon, ammonia, propane, butane and carbon dioxide.
4. A new circulating system using refrigerated sea water has been introduced to commercial fishing fleets, at a saving to boat owners.
5. Completely insulated Shell-Ice makers have been "packaged" for convenient field installation.
6. Service to the growing poultry industry has been highlighted by our new counter-flow-continuous poultry chiller, which uses refrigerated water instead of ice.
7. As part of the growth policy, we are increasing the number of Frick distributors. Some of our distributors have been with us 50 years.*

All of which indicates one thing: Frick is "on the move!" If you're passing through Waynesboro this summer, stop in and see for yourself; you'll be able to enjoy our remodeled and air conditioned offices.

FRICK COMPANY
Waynesboro, Penna.

*Pioneers in dependability since 1853: air conditioning, refrigerating, ice making and quick freezing equipment, power farming machinery and portable sawmills.



OPPONENTS Albert Fitzgerald, UE president (above), and Al Hartnett, IUE secretary-treasurer (below), both sought knockout victory—but in vain.



Jurisdiction Vote at G

IUE retains its representation at Lynn plant—but by so close a margin that its rival, leftwing UE, is still a threat.

IUE.....	3,444
UE.....	3,175

Nobody was happy in Lynn, Mass., last weekend when this vote was announced at the end of a National Labor Relations Board election covering 7,200 employees at the General Electric Co.'s big Lynn plant. It left the union balance between AFL-CIO's International Union of Electrical Workers and the independent United Electrical Workers as precarious as ever.

IUE has had representation rights

at the Lynn plant through the years—and, perennially, it has stood off UE challenges. The independent union (long identified with labor's left wing) has been a goad to IUE—but, at the same time, a check on its militancy. The AFL-CIO IUE, led by James B. Carey, has had to consider every decision—and bargaining adventure with GE—in the light of what might happen at Lynn.

UE filed a new challenge of IUE's right to represent the Lynn GE workers months ago. The IUE leadership—and GE—recognized the challenge as the most serious test of strength between the two key unions in electrical manufacturing, and one sure to influence other efforts to topple IUE from insecure holdings in the GE system.



SECRET BALLOT under NLRB rules was fourth at Lynn in 10 years. IUE's edge is less now.

CAMPAIGN was fought fiercely by both sides. At plant entrance, IUE advertises with signs, leaflets.

at GE Leaves Scores Unsettled

—including a current contest at Louisville's Appliance Park.

• **Indecisive Vote**—The election was held last week after months of delays. Rival campaigns reached a climax, and workers went to the polling places tense but quiet (pictures). Everyone hoped for a decisive vote. There wasn't one.

IUE held onto its jurisdiction. UE lost its big bid; it suffered a setback almost certain to delay its efforts to return to national prestige. But the narrow margin of the IUE's victory leaves GE still contending with a touchy plant situation. There is no firmly seated union representing its employees. The rival unions are evenly balanced—and waiting and each watching to seize on the other's mistakes for strategic purposes.

"The election didn't prove anything. They'll be back at it again next year," says Robert A. Burns, GE-Lynn manager of employee and community relations. What this means for national bargaining, due this fall between GE and the unions is the question now being debated hotly.

• **In the Way**—In the past, the Lynn local has been a stumbling block to IUE's tough bargaining plans. In 1953, IUE Pres. James B. Carey was booted out of town by the membership of the Lynn local. In 1958, Lynn led the three major GE locals—Lynn, Pittsfield, and Schenectady—in refusing to give IUE's GE Conference a strike authorization.

Some observers say the outcome of the Lynn election last week hasn't changed the picture. The strong UE

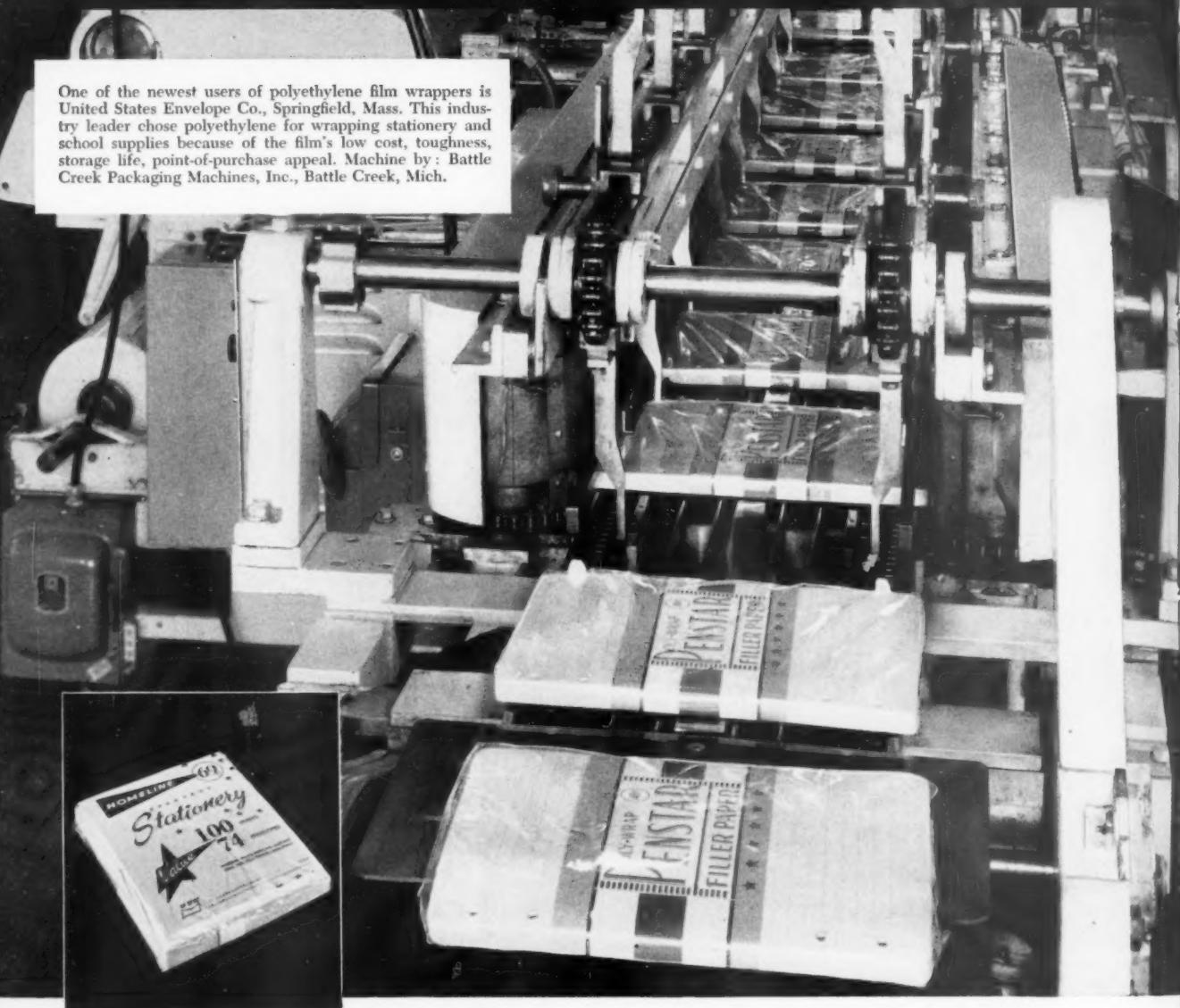
block will continue to worry IUE strategists, acting as a drag on strike action. If Carey pushes a get-tough line and winds up with a long and possibly lost strike, it might well lead to a loss of the Lynn jurisdiction—with others to follow. This threat might be enough to curb Carey's normally explosive temper.

• **Defection Help**—But others aren't so sure. They point out that Carey's forces in the Lynn local are now more strongly entrenched than ever. The anti-Carey leaders inside IUE either defected to UE as the campaign progressed or dropped out entirely, leaving the local in the hands of the pro-international forces. Carey's union probably could get a strike authorization vote by Local 201 members if it asked for one.

But it would be the kind of vote that

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One of the newest users of polyethylene film wrappers is United States Envelope Co., Springfield, Mass. This industry leader chose polyethylene for wrapping stationery and school supplies because of the film's low cost, toughness, storage life, point-of-purchase appeal. Machine by: Battle Creek Packaging Machines, Inc., Battle Creek, Mich.



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Now even greater savings are being achieved by overwrapping with polyethylene on production-proved automatic machinery. One example is the "Battle Creek" 475 machine shown above. In addition to stationery and loose leaf fillers, such products as envelopes, toilet tissues, textiles and boxes of facial tissues are now being wrapped commercially in polyethylene on Battle Creek machines.

Here's what polyethylene film offers you: *Unmatched economy*—lowest cost transparent film; *high sales appeal*—soft feel, clarity, sparkle, printability; *excellent storage life*—won't

dry out, split or crack; *unique moisture-gas transmission*; *superior low temperature toughness*; *inertness to most chemicals*.

Ask any of the leading makers of high-speed automatic polyethylene overwrap machines how much his machine will return on an investment geared to your needs. And get our two new booklets of facts and figures on automatic polyethylene packaging. Use coupon at right. Union Carbide Plastics Company, Division of Union Carbide Corporation, 30 East 42nd Street, New York 17, N.Y. *In Canada: Union Carbide Canada Limited, Toronto 7.*

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SEE US AT THE SHOW! BOOTH #353 NATIONAL PACKAGING EXPOSITION, ATLANTIC CITY, APRIL 4-7

would say, "O.K., let's see what you can do for us now."

Thus, Carey is now in the position of a man who must make a record. Without one, he can't hold on to the Lynn jurisdiction. This works to make the fall negotiations much more explosive.

For instance, Carey and IUE have talked frequently in the past of a fight for a guaranteed annual wage and union shop in electrical manufacturing. Now, Carey has promised—flatly—that IUE will demand and press for the union shop and annual wage when contract talks start with GE this fall.

Carey has conveniently forgotten such promises in bargaining before. It's hard to see how he can this year without jeopardizing IUE's position at Lynn—where the promise was made.

• **Old Wound**—IUE hoped to settle an old score by driving its rival from the field forever.

UE had been the major union in electrical manufacturing from 1936 until the late 1940s. But in 1948, it came under attack as Communist-dominated and lost members steadily—mostly to IUE, formed by UE secessionists, led by Carey, who stayed in the old CIO when UE left it. Within GE, according to company estimates, IUE currently has some 85,000 dues-paying members. The UE has 10,000. Government reports in 1957 estimated IUE's total membership at 400,000, UE's at 100,000.

In 1958, the Justice Dept. dropped proceedings against UE before the Subversive Activities Control Board, and this decision undoubtedly helped UE.

• **Revival**—Two years ago, as a result, UE began to pick up again. It added 12,000 new members. Last year, it gained 16,000 more. Encouraged, UE Pres. Albert J. Fitzgerald said, "The Red issue is played out." But it isn't—

not entirely. The issue is still raised in campaigns—and hurts UE.

Although UE has been gaining—winning 69% of its NLRB elections—it has always considered Lynn the key to continued growth.

• **Optimism Wanes**—When UE petitioned for an election in mid-1959, it was optimistic.

UE had certain advantages—those of the "outs" against the "ins." It charged IUE with a "do-nothing" policy in face of the layoffs that have reduced employment at the River Works by about 8,000 since 1954.

For its part, IUE was aided in the representation campaign by an awareness in the plant that a substantial part of GE's work there is rated as classified by military agencies—and that despite the easing of left-wing charges against UE, it is still suspect in the minds of the military.

Few doubted that a UE victory would mean less government contract work. In a plant worried about layoffs, that turned many votes to IUE.

• **Thin Margin**—Voting at the NLRB polling places last week was quiet despite underlying tenseness. As the final results showed, UE didn't do so badly. Indeed, if it hadn't been for the Red issue, it might have won. As it was, the record shows a remarkable gain: In 1950, IUE defeated UE—then the bargaining agent—by a margin of 900 out of 12,000 votes cast. IUE bettered that lead in subsequent elections to 1,100 in 1951 and 1,450 in 1953. This time, UE cut that level back sharply to 269 votes.

UE's showing unquestionably will encourage the left-wing union to stay on at Lynn. It will maintain "functional committees" in all departments.

"We'll be around," says UE's Fitzgerald, "in case GE employees get dissatisfied with conditions."

NLRB Is Curbed in Picketing Cases

Supreme Court rejects the board's claim that it has broad authority to deal with minority union picketing.

The U.S. Supreme Court this week told the National Labor Relations Board it cannot go beyond the provisions of the Taft-Hartley Act to curtail peaceful picketing by minority unions.

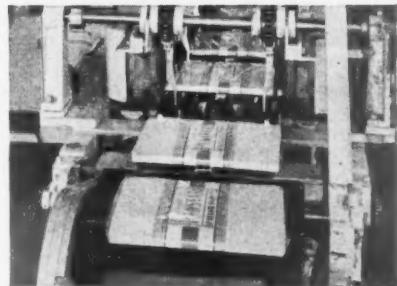
The test case arose and was decided by NLRB before the 1959 Landrum-Griffin amendments to Taft-Hartley were enacted. The picketing involved in the test case is now specifically barred by the 1959 amendments. Nevertheless, the test was important.

In court arguments, NLRB insisted that the 1959 amendments do not spell out the only instances in which it can ban peaceful recognition or organizational picketing by minority unions.

NLRB argued that it has authority in this area under the much broader Taft-Hartley ban against union unfair labor practices that "restrain or coerce" employees' rights.

• **Court's Ruling**—In a 6-3 ruling by Justice William Brennan, the Supreme Court rejects this claim by the board. Thus, although the board is still free to deal with peaceful minority union picketing of the kind involved in the test case under Landrum-Griffin, the court's ruling denies NLRB any authority over minority union picketing which is not specifically spelled out by Congress.

Brennan ruled that neither the gen-



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Assume that you are using "Battle Creek" automatic machinery (see facing page) for wrapping *your* product. The table shows typical savings, depending upon package size, of 1.25-mil standard clear polyethylene film* over the next lowest cost widely used transparent film.**

Size of Product	Packages Per Year	Approximate Savings Per Year
3" x 7" x 1/2"	6 million	\$ 4,176
5" x 9" x 2"	6 million	9,396
8" x 12" x 3"	6 million	19,836

Here's how these savings are calculated. If your product is item #3 above, you need about 380 sq. inches of film, including overlap, to wrap it. Based on an output of six million packages per year, your approximate annual cost for polyethylene film would be \$47,424. Conventional wrapping film would cost you about \$67,260. Your savings by using polyethylene film—almost \$20,000. This means that more than 75% of the cost of one "Battle Creek" 475 machine is returned to you in only one year! Remember too that polyethylene also saves more of your packaging dollar through less wrapper breakage—in storage, in transit, and on retail counters.

Investigate the economics of automatically overwrapping your products in film made of BAKELITE polyethylene. As a starter, fill in and mail the coupon.

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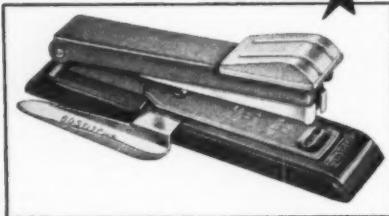


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eral language of the union unfair practices provisions of Taft-Hartley nor the legislative history of the 1947 law supported the board's position.

According to Brennan, the 1959 amendments "confirm our views." Brennan, referring to the safeguards which Congress provided for in the minority union picketing ban enacted in 1959, says, "Were [the union unfair practice provision in the 1947 act] to have the sweep contended for by the board, the board might proceed against peaceful picketing in disregard of these safeguards."

• **Test Case**—The test case involved NLRB's orders against further picketing of Curtis Bros., a Washington, D. C., warehouse and retail furniture company, by a Teamsters local. The union, certified as bargaining agent for drivers in 1953, continued to picket the store after it had lost an NLRB election in 1955. NLRB decided that the continued picketing was designed to induce Curtis Bros. to recognize the union even though it did not represent a majority of employees.

Subsequently, Congress adopted the 1959 amendments, which among other things expressly forbid any picketing by a minority union within a year after a valid NLRB election or if the union

has not asked NLRB for another election within 30 days.

• **Antitrust Case**—In another case, the high court refused to review a lower court ruling that allows the Jewel Tea Co., Inc., to sue seven Chicago locals of the Amalgamated Meat Cutters & Butcher Workmen and an association of small retailers for an alleged antitrust conspiracy.

The company charged that it has been prevented from operating its stores at night in Chicago; the union threatened to strike if it refused to accept the usual 9 a.m. to 6 p.m. hours.

When Jewel brought an antitrust action, the union moved in court to block a trial. The union contended that it should be able to bargain on opening and closing hours of a store since this establishes working hours of butchers.

The Supreme Court agreed with the lower court that an employer has the sole right to determine marketing hours, and that a union may not legally interfere with them. Its efforts to do so are not protected from antitrust suit.

The Jewel Tea test case has been watched closely, from the start, by retailers across the country. Others have been under the same union pressure, particularly against a trend toward night store hours.

Labor Steps Up Political Action

COPE regional meetings urge union leaders to take time off from economic activities to help candidates.

Local labor leaders in all parts of the country are being urged to "take time off from the economic side of union activities and pay attention to political action." AFL-CIO's Committee on Political Education is hammering away in regional meetings on the urgency of "an election victory in 1960 for unionism."

James L. McDevitt, director of COPE, recently told a meeting for Illinois and Missouri unionists that "the American public is being mind-conditioned to support legislative attacks on organized labor."

• **Dire Prediction**—According to McDevitt, if labor takes a trouncing in the 1960 election, "Congress will vote a ban on national bargaining, political activity by unions will be stopped by federal law, and the trade union movement will be reduced to the status of a fraternal organization."

"Complete unity and understanding in 1960 [in labor ranks] is essential in this hour of peril that organized labor is facing," McDevitt warned.

COPE is trying to raise political funds through voluntary contributions, but apparently with no more success than it has had in the past. Unions are barred by law from using dues income

for political purposes—and recent indictments in St. Louis indicate that the government is prepared to interpret the term "political purposes" in a broader sense than before, to close some loopholes that have existed.

• **Proposed Tactics**—COPE says that more stress will have to be put on "realistic, hard-hitting activity" on a precinct level for two reasons:

• Labor's financial activities in the political arena must be sharply curtailed.

• Business is showing an increasing interest in political action.

So, says the union's political arm, union manpower must be used more than ever before to "recruit, mobilize, influence, persuade, stimulate, and activate" voters in favor of union-endorsed candidates.

• **IBT Drive**—The International Brotherhood of Teamsters has a political action campaign of its own under way. Its objectives—a "purge" of all who voted for the Landrum-Griffin proposal of 1959—go far beyond those of AFL-CIO. Nevertheless, many in COPE expect the IBT political campaign to be coordinated with that of the AFL-CIO when the going gets hottest. **END**

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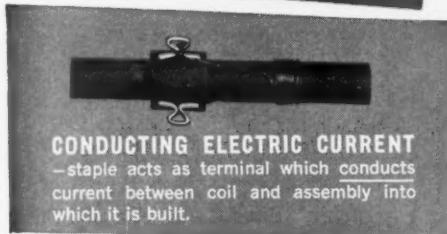
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In Labor

• • •

Employers Cite "Costly" Dock Practices

In Reply to ILA's New Contract Demands

Work practices are emerging as a critical issue in contract bargaining between the Marine Assn. of Chicago and the International Longshoremen's Assn. ILA's Local 19 wants "an improvement in everything," including 42¢ an hour in raises. Employers insist "costly, unproductive dock practices" must be curbed before ILA gets anything.

Local 19 contracts covering 2,000 dock workers employed by 23 companies will run out May 15. The longshoremen's minimum rate is \$2.33 now. The union wants a raise to \$2.75.

Complaining of "low productivity" that stands in the way of more waterborne shipping into Chicago, the Marine Assn. wants past practices on the docks thrown out as guides for working rules and conditions, and entirely new and "realistic" provisions substituted.

In first bargaining sessions, ILA negotiators blamed "what productivity problems there are" on what the union said is a lack of proper equipment. The association replied hotly; it said its members utilize some of the most modern and efficient equipment.

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C-of-L Index Regains November Peak;

Other "Moderate" Rises Are in Offing

The government's cost-of-living index rose in February to 125.6% of 1947-49 prices, up from 125.4% the month before. At 125.6%, the index was back to its all-time peak reached last November. The Bureau of Labor Statistics says that things "are likely to get a little worse before they get better," but foresees only relatively moderate rises.

Aircraft workers with c-of-l contracts linked to the February index received no pay adjustment.

The month's food index, 117.4%, was off a bit from the January level (BW-Mar. 5 '60, p45); apparel costs rose to 108.4%, and housing, the total figure, climbed to 131.2%, largely due to higher mortgage interest rates.

Other new index readings: transportation 147.9%; medical care 154.7%; personal care 132.6%; reading and recreation 120.6%, and other goods and services 131.8%.

The take-home pay of the average worker with three dependents dropped to \$81.10, more than a dollar less than in January.

• • •

Strikers Operate Union "Courtesy Cars"

For Passengers on Pontiac's Bus Routes

Local 1097 of the Street, Railway & Motor Coach Operators struck Pontiac (Mich.) bus lines Dec. 4 in a contract dispute. Since then, strikers have been manning "courtesy cars" on regular bus routes, to help those

who are dependent on bus transportation and, of course, to make a little money through "donations" for the public service.

The Pontiac city commission recently acted to legalize the jitneys for the duration of the strike. It adopted public safety measures against overloading and required more insurance than private cars usually carry. It said that increased insurance could be obtained—and paid for—on a weekly basis.

Far from being delighted by recognition and legalization of its jitney service, the union complains the commission action was taken to put the strikers' jitneys out of business and build up pressure for a settlement. Few drivers can qualify for the new city licenses, the union protests.

• • •

Building Industry Foresees a "Tribunal"

To Settle Disputes Between Craft Unions

Construction employers are optimistic over prospects for a new "appellate tribunal" to do away with most jurisdictional strikes over craft jobs—possibly within the next year or two. Talks with 18 AFL-CIO building trades unions are already well advanced, the Associated General Contractors reported at a convention in San Francisco last week.

The plan provides for a national appeal board to handle rows between crafts. Workers would stay on the job during the appeal procedure, in which either binding or advisory arbitration would be the final step.

The contractors' organization also added new fuel to the crafts-industrial unions dispute (BW-Mar. 26 '60, p58). It said that the Construction Industry Joint Conference, an employer-crafts group, is engaged in a program designed to take back factory maintenance work now being done by factory unions.

Industry is being urged to contract its maintenance work out to businesses in the construction field—able to do a better job at a savings in cost, AGC said.

• • •

McDonald's Forces Open Fire on Rebels

Who Attacked Terms of Steel Settlement

United Steelworkers rebels renewed their fight against the leadership of David J. McDonald early this year, in an attack against a McDonald-negotiated steel settlement that they complained gave unionists "crumbs" in return for a 116-day strike.

The rebel forces led by Donald Rarick have been quiet since then, ostensibly marshaling strength to elect anti-McDonald local officers in elections this spring.

Now, the McDonald forces have opened fire, with rallying calls to "get up and get rid of those bedbugs"—the local rebels. The USW administration feels it has gained strength as a result of the steel contract. It isn't worried by a prospect of local union election squabbles—but it isn't taking any chances.

The result is likely to be two or three months of internal ructions in USW locals—with an inevitable carry-over into plants and mills, where morale may suffer.

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In Management

Leaders Are Less Sure of Themselves Than Non-Leaders, Psychologists Find

A certain amount of modesty seems to be a characteristic of people with records of leadership. Comparing the attitudes of leaders and non-leaders in a group of business and government supervisors, an industrial psychologist at Michigan State University found the non-leaders to be consistently cockier.

The study, whose results were announced last week by MSU, was conducted by Andrew J. DuBrin. He gave a 70-item test to 400 supervisors (70 of them women) from a telephone company, an electric company, and four state agencies. Nine other MSU psychologists decided which of the 400 were real leaders after analyzing their records on and off the job.

In general, DuBrin reported, the non-leaders tended to exaggerate their own assets more than the real leaders did. For example, the non-leaders pictured themselves as working hard all the time, always getting the job done, successful in getting other people to follow them, and quite capable of evaluating their own good and bad points. The leaders were much less sure of themselves in these respects.

Among the characteristics shown by the leaders: They felt that mixing with the people under them was not an important part of their jobs. They put the welfare of the group above the welfare of any individual member. They did not think it was part of their job to help members adjust to the group.

U.S., Foreign Students Swap Countries In Business Training Exchange Plan

This summer some 200 foreign students will be learning American business methods in the plants and offices of such American companies as United Shoe Machinery Corp., Gimbel Bros., Inc., J. Walter Thompson, Inc., and Crown Zellerbach Corp. In exchange, the same number of Americans will train abroad with Mercedes-Benz, Philips Electronics, Imperial Chemical Industries, Ltd., and a host of smaller outfits.

It's part of a fast-growing one-for-one exchange program run by students in 24 countries. The plan works this way:

A student talks a company into offering an administrative training job for two to six months. That makes him eligible for a similar deal arranged by a student overseas. Local faculty-student committees screen and forward resumes. Employers must pay the trainee a "living wage"; he arranges his own transportation.

More than 10,000 such traineeships have been exchanged in the past 11 years by the group, known as AIESEC (Association Internationale des Etudiants en Sciences Economiques et Commerciales). It has just

MORE NEWS ABOUT MANAGEMENT ON:

- P. 80—Some of the earliest management experts "write" the newest book in the field.

set up a permanent secretariat in Geneva to serve its 100,000 members, mostly graduate students of business and economics. Chiefly it operates in Western Europe, North and South America, and the Near East, but it is now recruiting participants in Africa, the Far East, and possibly the U.S.S.R.

American students, mostly from Yale and Columbia, got into the act only four years ago. This year AIESEC-U. S. got busy and rounded up 24 other schools (including Radcliffe and Bryn Mawr) and five times as many jobs as last year. Looking to some 500 exchanges next year, the American group also is setting up a permanent headquarters, in New York.

From the exchange the students get a view of the way things are done in foreign companies. The employers presumably get good will and possibly some permanent personnel. Companies participating in the program have access to records of past trainees; Equitable Life Assurance Assn. of the U.S., Royal McBee Corp., and Coty, Inc., have offered jobs to their own foreign student trainees.

• • •

Management Briefs

The executive job market may be slackening off, a survey by the New York recruiting firm of Executive Manpower Corp. suggests. In the next six months 145 companies expect to hire an average of only 2.5 \$10,000-a-year-and-up men, compared to 3.2 eight months ago (BW—Aug. 22 '59, p61).

As a tribute to "performance and productivity," S. C. Johnson & Son, Inc., gave its 1,500 employees the day off on Apr. 1. The company plans to make this "spring holiday" an annual event. It also has scheduled the day after Thanksgiving as an extra paid day off.

Stockholders at United States Steel Corp.'s annual meeting next month will decide whether their future voting will be by secret ballot. The proposition, opposed by management, was added to the annual proxy statement after being urged for several years by Mrs. Wilma Soss, founder and head of the Federation of Women Shareholders in American Business, Inc.

Nicholas Dykstra, one of three executive vice-presidents of Curtiss-Wright Corp., has left the company after 24 years' service. A C-W spokesman said Dykstra had been "laid off" as part of a "streamlining" of the company's headquarters staff. Many of the 39 others affected by the streamlining (nearly all of them clerical employees, according to C-W) will be absorbed into divisional staffs. Dykstra's departure followed the formation of a six-man executive committee consisting of Roy T. Hurley, chairman and president; four divisional vice-presidents, and a financial executive.

Bookshelf for Management's Modern Era

THIS week, with the publication of *Classics in Management*, editor Harwood F. Merrill of the American Management Assn. took a long step backward. By so doing, he has advanced the entire field of management—for today's managers owe much to the pioneers in the field.

This conclusion is easy to reach. The book is unique. Merrill is very much alive, but his book was written by 15 dead men and a woman—also dead. Every one of them made major contributions to the development of modern management; together they defined the field.

• **Unacknowledged Debt**—But, while the entire world of management today stands on their shoulders, the greater part of it is completely unaware that it does so. It is a safe guess that most of the authorities busily writing and lecturing today are completely ignorant of their debt to at least half these first masters. Certainly they rarely acknowledged it, and businessmen generally have little reason, therefore, to learn how substantial are the foundations of their own art.

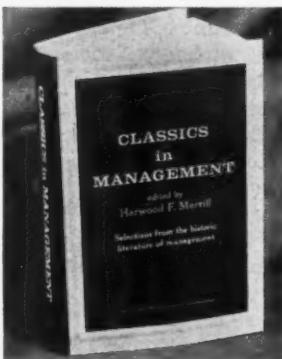
Indeed, if management may be approached at all scientifically, it is because such men as Robert Owen, Charles Babbage, Capt. Henry Metcalfe, Henry Robinson Towne, and their like—all, incidentally, born before 1850—clearly recognized the need and the possibility of so doing. Add the names of Oliver Sheldon, Harry Arthur Hopf, and George Elton Mayo—all active into the mid-20th Century—and the first era of developing scientific management is pretty well outlined. The story has never been told before in this way, completely in the words of those who originated the study of management.

Nor has the businessman ever before been able to read all these selections. Many of the original works have long been out of print.

• **Classics of the Future**—By directing attention to the no-longer dead classics of management, the AMA would seem to be raising a new question: What, now, are the modern classics of the field? What are the books which today best catch up all that is now known about management? What are the titles that should be on every executive bookshelf? Who, in short, are the authorities who will appear in the 21st Century edition of *Classics in Management*?

The lists are now open. Over 300 new business books were counted last year by Publishers' Weekly, many of them in the field of management. It has been estimated that 15,000 volumes bearing on this area are now in print. Texts, labeled *Principles of Management*, increase each year, but working executives with ambitions for literary immortality should take courage: The great contributions to the literature of management have typically been made not by professors but by businessmen.

• **Whose Choice?**—As in almost every other field, of



course, there's no ready-made list of best books in management, agreed on by all, to which the inquiring businessman can turn. Universities, public libraries, business journals, and management associations, however, occasionally issue bibliographies which reflect their several understandings of the field. And these may now be expected to improve in consistency as many of the authorities improve their knowledge of the history of management.

Meantime, some guidance may be gained—at least some suggestion of the present content of the field may be learned—by an inspection of the lists of management books used or recommended by various departments and agencies of the federal government. There's good reason for turning to this source. Government officials are not, in the field of management, likely to be limited by the natural prejudices of publishers or professors. Some might argue that they are not even professionals. They represent, however, one of the largest groups in the country now trying to improve their understanding of management. It is no secret, indeed, that some of the most respected contributions to the modern literature of management have been made with government—public administration—the point in view.

• **A Modern List**—It's hardly possible to screen all of the bibliographies available in Washington, but executives may be interested in the following list—a selection chosen from, and typical of, the items now appearing on one or more of the booklists prepared or distributed by the U.S. Civil Service Commission, the Office of the Deputy Chief of Staff for Personnel (Army), and the General Services Administration:

- C. Argyris, *Personality and Organization* (Harper).
- C. I. Barnard, *Organization and Management* (Harvard).
- C. I. Barnard, *Functions of the Executive* (Harvard).
- R. Bendix, *Work and Authority in Industry* (Wiley).
- M. T. Copeland and A. R. Towle, *Board of Directors and Business Management* (Harvard).
- E. Dale, *Planning and Developing the Company Organization Structure* (AMA).
- K. Davis, *Human Relations in Business* (McGraw-Hill).
- R. C. Davis, *Fundamentals of Top Management* (Harper).
- M. E. Dimock, *A Philosophy of Administration* (Harper).
- M. J. Dooher and E. Marting, *Selection of Management Personnel* (AMA).
- P. F. Drucker, *Practice of Management* (Harper).
- J. D. Glover and R. M. Hower, *The Administrator (cases)* (Irwin).
- B. E. Goetz, *Managerial Planning and Control* (McGraw-Hill).
- L. H. Gulick, L. F. Urwick, and J. D. Mooney (editors), *Papers on the Science of Administration* (New York Institute of Public Administration).
- M. Haire, *Modern Organization Theory* (Wiley).
- F. Harbison and C. A. Myers, *Management in the Industrial World* (McGraw-Hill).
- P. E. Holden, L. S. Fish, and H. L. Smith, *Top Manage-*

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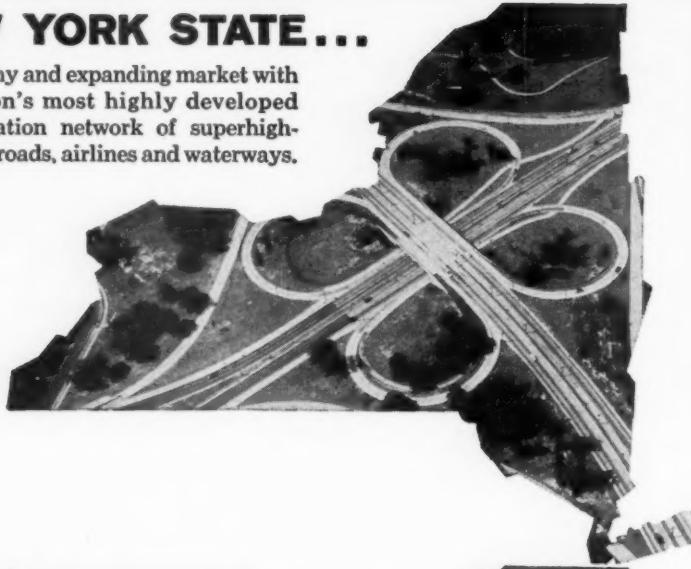
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The Management pattern

(Continued)

ment Organization and Control (McGraw-Hill).

M. H. Jones, Executive Decision Making (Irwin).

H. D. Koontz and C. J. O'Donnell, Principles of Management (McGraw-Hill).

E. P. Learned, D. N. Ulrich, and D. R. Booz, Executive Action (Harvard).

M. L. Mace, Growth and Development of Executives (Harvard).

J. G. March and H. A. Simon, Organizations (Wiley).

H. F. Merrill and E. Marting (editors), Developing Executive Skills (AMA).

M. C. Miles, Middle Management (Harper).

W. H. Newman, Administrative Action (Prentice-Hall).

J. W. Riegel, Executive Development (Michigan).

F. J. Roethlisberger and W. J. Dickson, Management and the Worker (Harvard).

R. C. Sampson, The Staff Role in Management (Harper).

E. H. Schell, Technique of Executive Control (McGraw-Hill).

C. Seckler-Hudson, Organization and Management (American University).

C. L. Shartle, Executive Performance and Leadership (Prentice-Hall).

H. A. Simon, Administrative Behavior (Macmillan).

G. A. Smith, Jr. and C. R. Christensen, Policy Formulation and Administration (Irwin).

O. Tead, The Art of Leadership (McGraw-Hill).

L. F. Urwick, Leadership in the 20th Century (Pitman).

L. F. Urwick, Elements of Administration (Harper).

R. S. Weiss, Processes of Organization (Michigan)

• In Between—Then, making bold to fill the gap between such relatively current books as those listed above and the classics excerpted by Merrill, BUSINESS WEEK would additionally mention such old "standards" as:

A. Brown, Organization of Industry (Prentice-Hall).

H. S. Dennison, Organization Engineering (McGraw-Hill).

J. D. Mooney, The Principles of Organization (Harper).

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QUICK-TIE, devised at request of a friend, links steel reinforcing bars automatically.



RAT TRAP, displayed by inventor's wife, electrocutes victims and drops bodies into chemical solution.



WINDOW SCREEN attached to bottom of sash rolls up as window is raised. Los Angeles ran inventors' show to promote new products.

City Asks Inventors to Help It



WOULD-BE manufacturers and investors thronged to two-day Chamber of Commerce show. Sponsors hoped new ideas might relieve city's dependence on defense work.

Like many a city these days, Los Angeles is worried about the dependence of its industry on defense contracts. Casting about for ways to diversify, the city's Chamber of Commerce last week sponsored a two-day inventor's show—in the hope that some of the ideas on view might turn out to be products that would vary the diet.

The chamber hoped also to obtain a list of local manufacturers interested in new products and to give a boost to its promotion of Southern California as "new idea land."

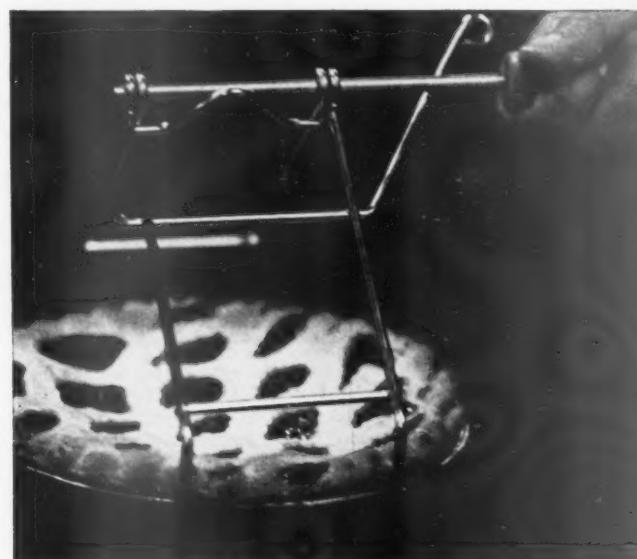
• **The Inevitable Meusetraps**—There were new ideas, all right, including at the most exotic extremes a foam-rubber-cushioned bedpan and an electric rat trap ready for the rodent world to beat a path to its door. More than 100 in-



SKIRT MARKER helps in hemming. Woman steps inside hoop containing chalk, adjusts its height, squeezes bulb to produce marks.



SKIN DIVERS can spy on underwater mysteries through window of inflated "sled" floating on surface.



THIRD HAND grasps hot pie plates in oven or sizzling steaks on barbecue grill, prevents burns.

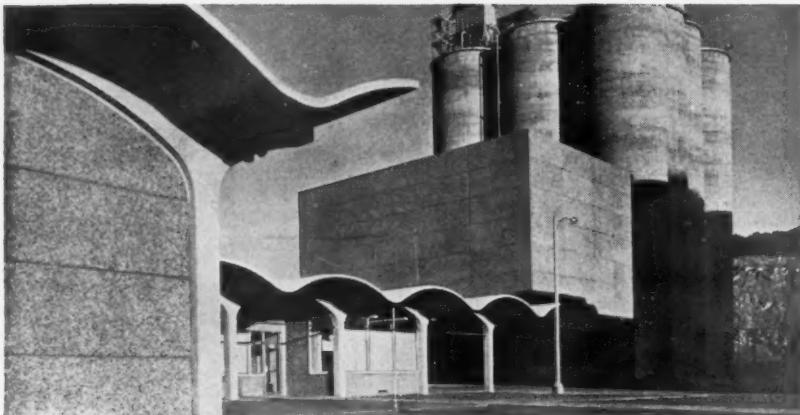
Diversify

vendors had their brainchildren on display to potential manufacturers and investors, and, at the same time, a number of Los Angeles companies exhibited their new product lines and ideas available for licensing.

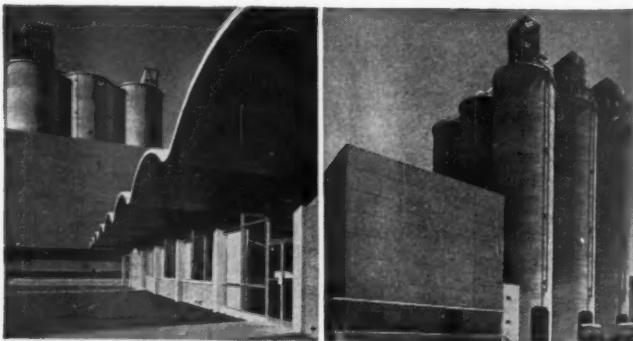
There was no shortage of oddities, such as the swivel chair designed to be attached by pulleys to the rudder of a boat, so that a fisherman can steer "by the seat of his pants," merely by swiveling the chair. The inventor was an angler weary of having to navigate just when the fish were biting best. But many of the inspirations were quite workaday. For example, the Trig-o-Meter can be used to figure the angles and sides of a triangle. One man devised a tool that automatically ties reinforcing bars together—a job ordinarily



COMPANIES such as Norvair Div. of Northrop Corp. showed off their own inventions available for licensing to outsiders. More than 100 individuals also exhibited.



Architectural concrete creates an interesting design pattern at Ideal's Tijeras, New Mexico, plant.



Graceful, curved roof sections contrast with the line and mass of cylindrical silos and cubical buildings at Tijeras.

ARCHITECTURAL CONCRETE LENDS BEAUTY TO IDEAL CEMENT PLANT DESIGN

Ideal Cement Company's new plants at Houston, Texas; Ada, Oklahoma; and Tijeras, New Mexico, are testimonial to the fact that cement plants can be beautiful when they are made with architectural concrete.

These highly efficient plants embody the latest concrete construction techniques with precast, prestressed roof sections and panels, precast aggregate panels for building facings, slip form silos, and other concrete structures. These handsome plants are part of the new world of concrete which is providing industrial and commercial structures that are beautiful as well as economical and useful.

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done by a crew of four earning around \$4 an hour each.

• **Panel Talks**—In conjunction with the show, the chamber presented a conference with a feature address by Richard S. Latham, president of the American Society of Industrial Designers, and panel discussions on licensing and the development of small business. Case histories of product development were given by McCulloch Corp., a maker of chain saws and motors, and Schering Corp., the pharmaceutical house.

Of course, it's too early to tell how many of the inventions on view will wind up on production lines. But the chamber estimates that 15% to 20% of the ideas in a similar show two years ago were picked up by manufacturers.

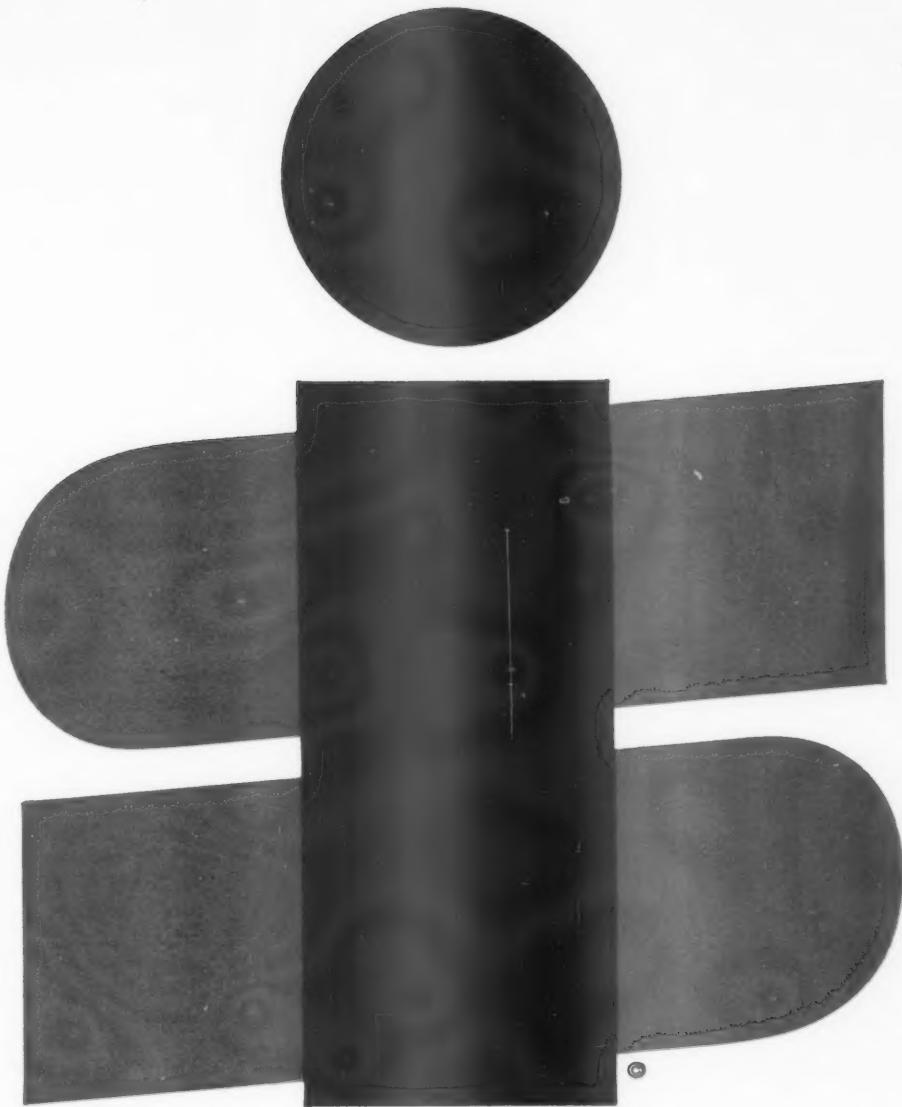
NEW PRODUCTS BRIEFS

An electronic analog computer, designed especially for the needs of small engineering outfits, can be expanded as the company grows. The basic unit, about the size of a TV set, sells for around \$2,000. The user can purchase and add more components one by one to increase the machine's complexity. For a maximum of approximately \$25,000, he has a highly versatile console unit. The manufacturer is Bowmar Instrument Corp., Ft. Wayne, Ind.

A new industrial television camera doesn't need additional protective housing when used in rough environments, such as bad weather, vibration, or dust, according to its maker, Dage Television Div. of Thompson Ramo Wooldridge, Inc. Camera and control, each weighing about 15 lb., use transistorized printed-circuit modules. The system can be set for manual or automatic light-level compensation. Price for the camera is \$3,860; the control costs \$465.

A tiny incandescent lamp, called the smallest electric light bulb in the world by the maker, Kay Electric Co. of Pine Brook, N. J., has a diameter of .015 in. (about as big around as a period on this page) and is .062 in. long. Some of its uses: a visual aid on a meter needle; an indicator in transistor circuits, a medical probe. It costs about \$4.75.

A portable recording camera makes photocopies of business documents at high speeds. The unit—a continuous flow reducing camera and an automatic processor in a single cabinet mounted on casters—copies about 1,200 check-size or 450 letter-size papers per hour. No water supply is needed. Manufacturer is Peerless Photo Products, Inc.; distributor is Charles Bruning Co., Mount Prospect, Ill. Price is \$4,850.



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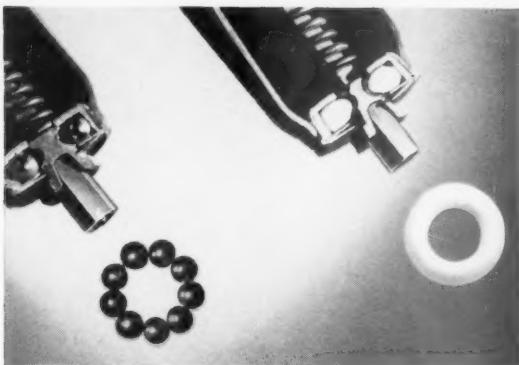
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in many applications
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Today, in hundreds of products, "Delrin" acetal resin is being used where die-cast zinc and aluminum, cast and machined brass, stainless steel and cast iron were once considered "standard". For good reasons, too: in "Delrin", these products work better, cost less to make, or both. On the opposite page, you'll find three typical examples.

The performance advantages offered by "Delrin" are based on its unique combination of properties that frequently permits parts reductions through design of multi-function parts. "Delrin" has the stiffness to remain rigid in large sections, the tensile and flexural strength to withstand high-stress loadings, the dimensional stability to hold close tolerances and the frictional properties to operate usually without lubrication. And these properties are retained even under exposure to wide variations in temperature, humidity, solvents and stress.

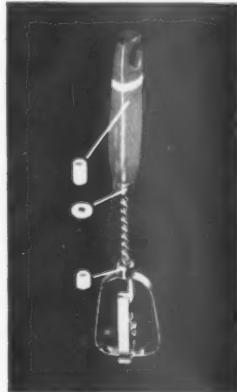
The cost advantages offered by "Delrin" stem primarily from its ease of fabrication, via injection molding or extrusion. These processes permit economical mass production. The need for finishing operations is usually eliminated. Part-to-part uniformity minimizes rejects. Assembly can be simplified by joining with mechanical fasteners, spin welding, snap or interference fits. "Delrin" is available in integral colors, and varied surface effects can be achieved by texturing, vacuum metalizing or painting.

We will welcome the opportunity to assist you in evaluating "Delrin" for your own product designs. A letter or the coupon at right will bring a prompt reply.



A ring of "Delrin" replaces nine steel balls in the bearings for roller conveyors produced by the Rapids-Standard Co., Inc., Grand Rapids, Mich. These new bearings offer the advantage of quiet operation. Beyond initial lubrication, no further lubrication is required. "Delrin" was specified because of its low coefficient of friction, high strength, corrosion resistance and dimensional stability. Bearings of "Delrin" are also featured in Rapistan® wheel conveyors. (Molded by Sisko Mfg. and Tool Co., Chicago.)

This one-hand egg beater features three parts of "Delrin" that replace a stamped brass bearing, a cold-rolled steel retainer and a brass bushing. The excellent frictional qualities of "Delrin" provide smoother, quieter operation. Tough and abrasion-resistant, "Delrin" provides a life span ten times longer than originally anticipated according to the manufacturer, Eko Products Company, Chicago, Ill. (Molded by Vulcanized Rubber and Plastics Co., Morrisville, Pa.)



Flat-top conveyor chains of "Delrin" made by Fenco, Inc., Chicago, weigh only one-third as much as steel chains. Their service life is estimated at two to four times that of metal conveyors. Initial cost is 40-50% lower and little maintenance is required. The flat links of "Delrin" are strong, resistant to abrasion and corrosion, have a low coefficient of friction, require no lubrication. (Molded by Du Bois Plastics Product Company, Buffalo, N. Y.)



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INTERNATIONAL OUTLOOK

BUSINESS WEEK
APRIL 2, 1960



The State Dept. is more optimistic this week about the summit meeting in May (page 26). It now feels that real progress may be made toward breaking the long stalemate over disarmament.

Pres. Eisenhower and Prime Minister Macmillan showed this week that East-West differences over a nuclear test ban are no longer wide. The West, in essence, now has agreed to the Soviet demand for a moratorium on currently undetectable small underground tests, pending perfection of detection methods. The offer depends upon settling the remaining differences over the proposed treaty banning all other military nuclear tests.

Eisenhower made a big concession in agreeing to a moratorium on small underground tests. He has somewhat compromised a long-standing principle that the U. S. would never accept disarmament measures without adequate inspection and controls. The compromise will pay off, Eisenhower believes, if it leads Khrushchev to accept the elaborate inspection and controls the U. S. envisages for the proposed treaty banning all detectable military tests.

Khrushchev's real objective in the disarmament field will be decisive. But what they are is a matter of guesswork. Many U. S. observers think the Soviet Premier is of two minds on disarmament. He wants controlled disarmament—although with the minimum control. But he is also tempted to try to exploit the widening missile gap in the period ahead; doing this would rule out serious steps toward disarmament. If he accepts a controlled test ban, it would show that he is leaning toward a genuine accommodation on the big political issues. And accepting controls in one area would make it harder to refuse them in others.

At a Paris trade conference this week, the West was once again wrestling with a problem of its own—the feud between the six-nation European Economic Community (EEC) and the seven-nation European Free Trade Assn. (EFTA).

The two groups were no nearer to agreement when they ended their session than they had been before. The EFTA nations renewed a proposal to extend their upcoming tariff cuts to EEC members on a reciprocal basis. But spokesmen for the Six, backed by the U. S. delegation, argued that nothing could be settled until the EEC governments decided whether to go ahead with the EEC Commission's proposal to speed progress toward a common market and a common external tariff (BW—Mar. 5'60, p104).

The conference wound up by deciding that it is time for a detailed study of how the various proposals actually would affect trade, product by product. Such a study is to be prepared before the Six and the Seven go at it again in a meeting scheduled for late May.

The EFTA nations now are belaboring the U. S. for the support it has been giving EEC. EFTA especially dislikes Washington's backing for the commission's latest proposal. The Administration came out flatly on the EEC's side in the joint communique issued when Chancellor Adenauer recently visited Washington. Last week, the ambassadors of the Seven in Washington personally called on Under Secy. of State Dillon to protest. This week, British Prime Minister Macmillan made the same pitch to both Dillon and Secy. of State Herter.

EFTA's "no retreat" position, plus differences within EEC over the

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
APRIL 2, 1960

commission's proposals, now make some U. S. officials doubt that any agreement between the Six and the Seven can be reached this year. That means on July 1 each group will go ahead with its original plans for reducing tariffs among its respective members, but would not extend these duty cuts to outside countries.

— • —

South Africa's racial troubles are causing alarm throughout the British Commonwealth. When the Commonwealth prime ministers meet May 3, there's a chance the subject will come up, even though "internal" affairs traditionally are excluded.

The British government, of course, does not want to expel South Africa from the Commonwealth, to provoke its secession, or even to create an unwelcome precedent by supporting a U. N. resolution on a "domestic" Commonwealth matter. But Prime Minister Macmillan faces strong political demand for some action to demonstrate British disapproval of South African racial policies.

— • —

While most eyes this week focused on affairs around the Atlantic, **West German Chancellor Konrad Adenauer quietly visited Japan.** Among his first public statements, he pledged West German support of Japanese efforts to build their markets in Western Europe. Japan, ever dependent upon exports, is deeply concerned over being shut out of Europe's Common Market and Free Trade Area. More and more, it is looking to Latin America and Africa for markets.

At midweek, Adenauer and Japanese Prime Minister Kishi were expected to issue a communique that would include proposals for joint Japanese-German aid to underdeveloped areas. But it was not expected to contain plans for specific projects.

— • —

As U. S. protectionist rumblings spread (BW—Mar. 19'60, p143), domestic industries are split over the government's position at next fall's negotiating sessions of the General Agreement on Tariffs & Trade (GATT).

U. S. trade policy officials this month will publish a tentative list of products on which Washington will offer tariff concessions. In making up the list, they looked especially at chances to bargain down Europe's Common Market and Free Trade Assn. barriers against U. S. exports.

Many domestic producers have already asked Washington not to offer tariff reductions on their products. Among those that have appealed are manufacturers of chemical products, machine tools, textiles and textile machinery, hardware, metal products, and processed foods.

More protests against tariff reductions will be heard after the list is published. The protesting parties will then get a hearing before the Tariff Commission.

On the other side of the fence, numerous U. S. exporters have asked for concessions from Europeans. These include exporters of some of the same items for which protection is asked—machine tools, plastics and other chemical products, processed foods, and textiles. To get other countries to cut their tariffs on these and other items, the U. S. will have to offer duty cuts that may hurt some U. S. producers.



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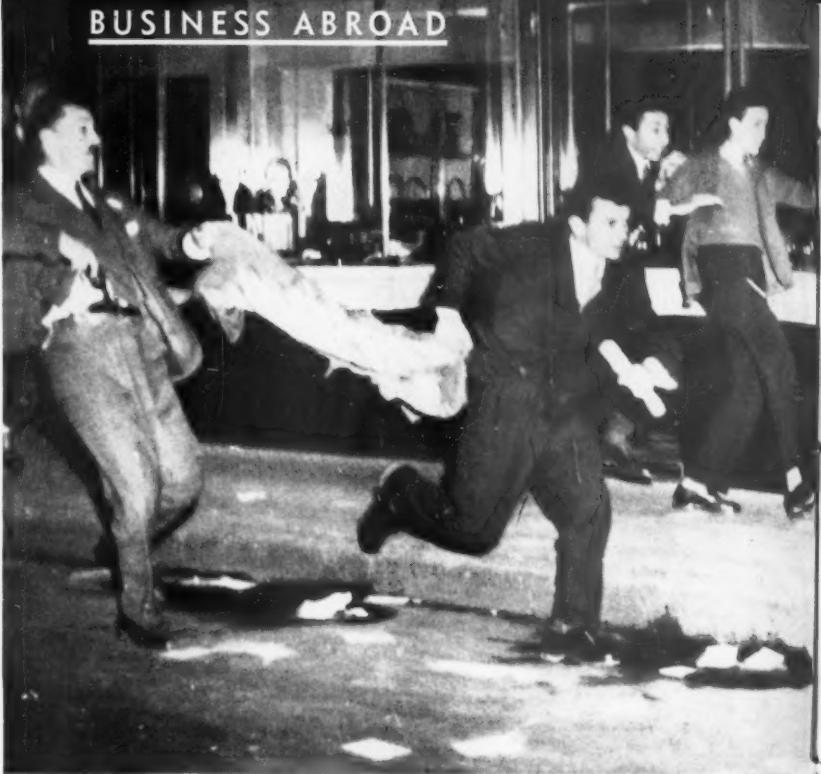
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VIOLENCE before election is caused by economic discontent, as is . . .

Frondizi's Policies

A heavy protest vote in Argentina's legislative and provincial elections this week jolted Pres. Arturo Frondizi's Economic Stabilization Program. The demonstration of popular discontent undoubtedly will require Frondizi and his Minister of Economics, Alvaro Alsogaray, to make some compromises that will slow down the year-old recovery drive. But the protest probably was not strong enough to force a major change in policy.

Last Sunday, nearly 10-million Argentines went to the polls, complying with a mandatory voting law. By midweek, when most of the returns had been reported, it was clear that Frondizi's Radical Intransigent Party had taken a licking. It ran third, getting 1.9-million votes. The People's Radical Party, the major legal opposition group, came in first with 2.2-million ballots. It seeks to ease Frondizi's economic restrictions.

• **Protest Vote**—Second place in the election went to the Peronistas, who registered 2-million blank votes. The followers of ex-Dictator Juan Peron, now in Spain, are an outlawed party and cannot run candidates for public office. But they can, and did, protest the government's policies with blank votes of no confidence.

This expression of disapproval of

Frondizi's economic policies may contribute as much to future uncertainty as the big vote for other parties. Two years ago, Frondizi came to power with support from both the Peronistas, who are mostly laborers, and the Army. But the imposition of the austerity program, under which the cost of living more than doubled in a year, turned Peronistas and other low income groups against him. This led to strikes and later to terrorism, some of which was Communist-inspired.

• **Source of Conflict**—Now that Frondizi has lost a good part of his popular support, he will have to rely more on the Army and the relatively small business class for backing. This could lead to more trouble. The Army and the Peronistas have only antipathy for one another. The Army fears the return of the Peronist neo-socialist state, even though it would not be led by Peron himself. The Peronistas fear a military coup and consequent dictatorship.

Tension between the two groups heightened just before the election, when terrorists bombed an Army intelligence officer's house, killing his young daughter. The Army demanded that Frondizi declare martial law and suppress Peronista activity. This led to further Peronista resentment.

• **Still in Power**—Despite the Peronista



... PASSIVE RESISTANCE of labor leaders on hunger strike in Buenos Aires.



PRES. FRONDIZI still retains power in Argentina, although his party suffered setback in national elections. He is expected to ease his economic austerity program.

ies

Take Beating in Argentine Vote

votes, the ballots for the People's Radicals, and the votes scattered among minority parties, Argentina's complex election law allows Frondizi's party to retain control of the national legislature. None of the senators, all of whom are Intransigent Radicals, was up for reelection. In the lower house, the Chamber of Deputies, Frondizi's party was accorded 108 of 192 seats.

With this majority, plus his military support, Frondizi will be able to continue the Economic Stabilization Program. But because the president lacks popular support, the outlook for the next few months, and possibly for the next two years, is uncertain. Unless Frondizi can convince a majority of Argentines that his policies will pull the country from an economic abyss, he will be confronted with unrest that sometimes bursts into violence, sometimes generates passive resistance (pictures).

• **Business Climate**—For U.S. business interests in Argentina, this means a long haul over a rough road. They will most likely be plagued with strikes, increased wage demands, and nationalistic pressures. But U.S. companies show a good bit of confidence in the outcome. Last year, U.S. investments totaled \$200-million, up from \$30-million the year before. This year, another \$200-

million in investments is expected.

• **Reform Program**—In 1958, when he was elected president, Frondizi began the hard task of restoring some degree of stability to Argentina's economy after the chaos wrought by Peron. Frondizi instituted the Economic Stabilization Program in December of that year. But he didn't push it hard enough to suit the Army and some of his political opponents. Then in July, 1959, Frondizi shook up his cabinet and brought in Alvaro Alsogaray as Minister of Economics (BW—Aug. 8 '59, p81). Alsogaray put the austerity program on a crash basis and today exerts considerable power in Argentina.

Alsogaray has rammed through regulation after regulation to implement the austerity program. He has limited credit drastically and imposed banking regulations to hew to a tight money line. With a few exceptions, he has forbidden wage increases. The government also has restricted imports to save the little remaining foreign exchange and ended most subsidies to manufacturers. It has freed the peso and allowed it to find a realistic level of economic exchange. It has attempted to reduce the government budget deficit by getting out of commercial businesses and cutting its payroll by one-third.

• **Slow Improvement**—Today, a num-

ber of Alsogaray's measures have taken hold. The peso has settled down between 80 and 85 to the dollar. The cost-of-living rise slowed to 1% in February, the latest month reported. Trade balances show a small surplus—if you don't count goods in Argentina that have not yet cleared through customs. A stimulation of agricultural exports has led to rebuilding of Argentina's sharply depleted lands and herds. The budget deficit has been reduced from 39-billion pesos to 27-billion pesos.

But little of this, especially with the cost of living still rising, has been popular. Moreover, Frondizi has not pushed through legislation to make the Peronista party legal, as he promised before his election. These two issues mainly account for the protest vote this week.

Nor is the government in the clear yet. The budget deficit is still enormous. Consumer purchasing power continues to fall. Industrial production fell 10% last year because of strikes and slowdowns. Foreign loans and credits and foreign investment, rather than internally generated funds, have paid for a good part of industrial expansion.

• **The Outlook**—The election results probably will force the government to compromise to some extent. It will

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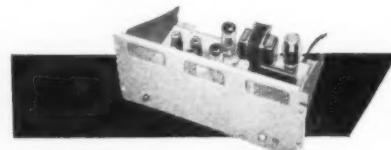
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... Alsogaray this week stoutly maintained that the austerity program would go on . . .

(STORY on page 94)

probably approve some wage increases. Nationalistic pressures from Frondizi's opponents will require him to renegotiate contracts for oil exploration and development that were signed with U.S. and other foreign oil interests. Some import restrictions have already been lifted, others may be removed later. The sugar industry has been given back a part of its former subsidy and Alsogaray may have to give some others, at least temporarily.

But Alsogaray this week stoutly maintained that the austerity program would go on, despite the electoral setback. He tried to rally people behind the program by showing them that food prices had actually begun to turn down. But whether the government can get the popular support necessary to push the stabilization plan to completion is still uncertain.

• **Shaky Political Structure**—On top of the economic uncertainty, Argentina's political structure is still shaky. Frondizi's government has strong opposition in the People's Radicals, which is highly nationalistic in outlook. In a 10-million ballot election, nearly 4-million votes were fragmented among a dozen minor factions.

Peronism, obviously, is still a major force, although there's little demand for the return of Peron himself. Yet there's little chance that the Peronistas will be made a legal party in the near future. Possibly, they will use this week's election results to try to regain power. This means more violence and subversion, of which, of course, the Communists are most happy to take advantage.

Should the Peronistas resume their overt and covert activities, Frondizi will turn more and more to the Army to retain control. This could lead to a "guided democracy" not unlike the situation in de Gaulle's France, where a strong political figure, backed by the Army, is virtually a dictator.

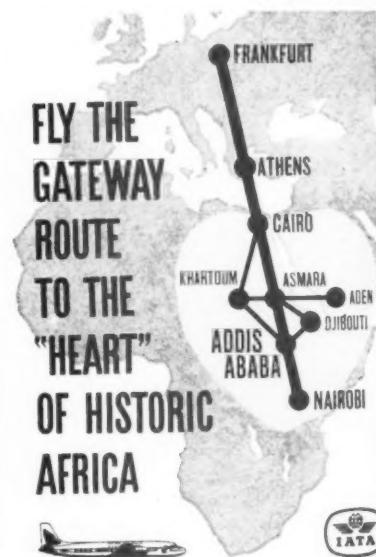
Among the other political and economic forces in Argentina today, businessmen and landholders support Frondizi, in the main, but they are still few in number and weak in influence. Non-Peronista labor lacks organization and leadership. The Catholic Church, which helped oust Peron, is staying on the sidelines for the moment. Its main concern is Communist penetration of the Peronista group; it would like to see the Peronistas recognized as a legal party to counteract this. **END**



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In Business Abroad

Racial Tension Deepens Pessimism

About South Africa Among Investors

The shooting of 72 Negroes in South Africa has deepened an already pessimistic feeling about the country's economic outlook among many U.S., West European, and even South African businessmen.

When the news broke, share values of mining and investment companies tumbled about \$126-million. This brought to nearly \$1-billion the total drop in Johannesburg market values since February, when visiting Prime Minister Macmillan in his "Winds of Change" speech criticized South Africa's apartheid policy.

With more than \$500-million invested directly or indirectly in South Africa, many U.S. businessmen last year began having serious doubts about the country's economic future. After booming with new foreign investment, the South African economy was expanding at a much slower rate than businessmen had expected. That was partly due to minor race riots. Now the rioting is more serious.

Furthermore, portfolios of gold and other mining stocks began to shift last year. U.S. and European investors traditionally have held roughly 60% of these shares, but they have brought the ratio closer to half-and-half by selling stock to South Africans. Observers in Johannesburg say even South African businessmen are seriously worried now.

Volkswagen Subsidiary in Brazil

Will Compete in U.S. Truck Market

Brazilian-made Volkswagen trucks will start arriving in the U.S. probably this month.

Volkswagen Do Brasil, with manufacturing facilities in Sao Paulo, has contracted to supply Volkswagen of America with 300 light trucks within the next three months. It will ship another 900 this year "if the situation warrants it," according to a company spokesman. Although these shipments are only a small part of total Volkswagen imports, this is the first time that Brazil will export automotive products into the crowded U.S. truck market (BW-Mar.12'60,p152).

Westinghouse Wins Equipment Job

For Big Textile Plant for Russia

Westinghouse Electric Corp. has landed a \$1-million contract to supply motors and other electrical equipment for a big textile plant the Russians have ordered from Intertex International, Inc., a consortium of more than 40 U.S. companies (BW-Jan.2'60,p69).

Westinghouse will provide more than 1,500 motors ranging in size from 1 hp. to 20 hp., control equipment, and electronic air cleaners. While Russians install the equipment, Westinghouse engineers will stand by on a "consulting" basis.

Located about 100 miles outside Moscow, the \$30-million plant will have 50,000 spindles. Equipment deliveries are scheduled to start later this year and be completed during the first quarter of 1961.

Hilton Teams With British Financier

In London "Skyscraper" Hotel Venture

Hotelman Conrad Hilton's newest venture overseas will be a \$17-million, 27-story London Hilton.

After eight years of painstaking negotiations, Hilton has joined forces with British financier Charles Clore. Clore will supply the capital. Hilton Hotels International, following its usual formula, will operate the 506-room hotel under a management contract.

The London Hilton will occupy a prime location—along fashionable Park Lane, the street where Grosvenor House and the Dorchester Hotel already stand. A skyscraper by London standards, the new hotel will take two years to build.

Japan May Get Trade Boost

In Cuban Switch From U.S.

Cuba may start importing from Japan some of the goods it has been buying from U.S. manufacturers. A high-powered Cuban trade mission, headed by Commerce Minister Dr. Raul Cepero Bonilla, is scheduled to arrive in Tokyo this week to negotiate a new Japanese-Cuban trade agreement.

For many years the Japanese have had a large trade deficit with Cuba because of heavy sugar imports and Cuban preference for U.S. manufactured goods. Among officials at Japan's Ministry of International Trade and Industry, there is hope that the political situation in Cuba will now favor a new trade balance with Japan. Last year, the Cubans bought about \$10-million worth of goods from the Japanese and sold them about \$35-million worth.

Business Abroad Briefs

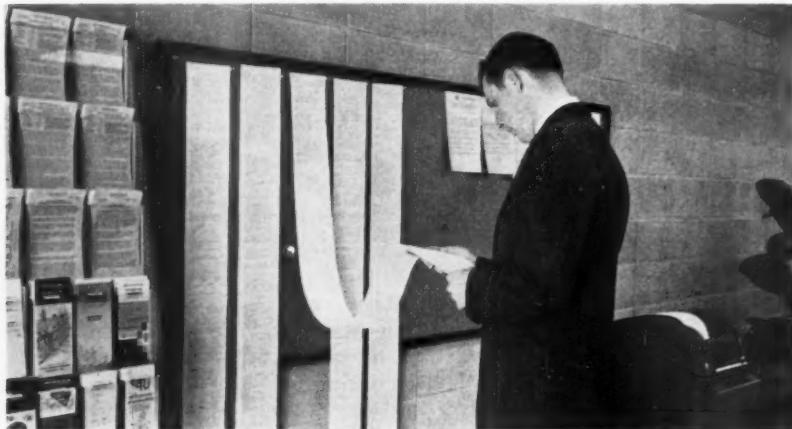
Spain is the 59th nation to join the International Finance Corp., a World Bank affiliate. Spain's subscription of \$1,108,000 brings IFC's total subscribed capital to \$96,506,000.

In London there's a persistent report that Russia is buying 3,000 long tons of British government stockpile rubber. Britain's Board of Trade says it can't comment. Although the Soviet Union so far this year has held off buying on world markets, rubber prices have been displaying strength internationally.



The young man at left, on the telephone to a prospective buyer of securities, is two months out of a sales training program such as a number of big brokerage houses are now running to groom their representatives.

BULLETINS from Dow-Jones news wire keep Tearse updated on what's happening in the markets. At Dean Witter, he and other salesmen are called account advisers.



Brokers Train for Bigger Sales

Walter D. Tearse (pictures) is close to the model securities salesman just starting out in the game. He is 25, married to an extremely attractive girl, has an M.B.A. from Stanford University, plays a fine round of golf, and, above all, he's a self-starter. To Dean Witter & Co., the big San Francisco-based brokerage house that employs him, he has all the makings of a big producer.

In the securities business, a big producer is a broker-salesman who can generate \$100,000 a year in gross commissions for the house. It takes more than a winning personality and a gift of gab. A customer may buy securities from a broker on pure faith the first or second time, but after that, capital gains and dividends pull more weight.

• **Training for Selling**—That's one rea-

son why Tearse's employer, Dean Witter, and an increasing number of other big brokerages from New York to San Francisco are paying a lot of attention to training men for selling—the backbone of the securities business. The purpose, of course, is to enable the men to become big producers for themselves and their firms—which generally rake off 50% to 66 2/3% of the total commissions.

At least 15 brokerage houses now have carefully worked-out training programs—some focused on the classroom, some favoring on-the-job instruction, some combining the two. Only a handful of these, however, can be considered top-drawer programs. And many of these, moreover, have started within the last year or so. Bache & Co., for instance, a giant in the business, held its

first class for trainees only a month ago.

The New York Stock Exchange, with which every representative of a brokerage must be registered, is alert to the danger of turning untrained salesmen loose on an unsuspecting public. It has encouraged universities to set up special courses for brokers, and it has recently initiated a study of how they are tested and trained. If necessary, it may stiffen the requirements for registration.

• **Casual Approach**—This trend marks the abandonment of what Reynolds & Co.'s Richard S. Graham calls the "catch-as-catch-can" training methods that "weren't always producing the type of securities salesmen we wanted." Reynolds used to send its trainees on the rounds of its departments—say, two



STOCK QUOTES are changed at Dean Witter's San Mateo branch as Tearse (right) confers with colleague Robert Morton, Jr.



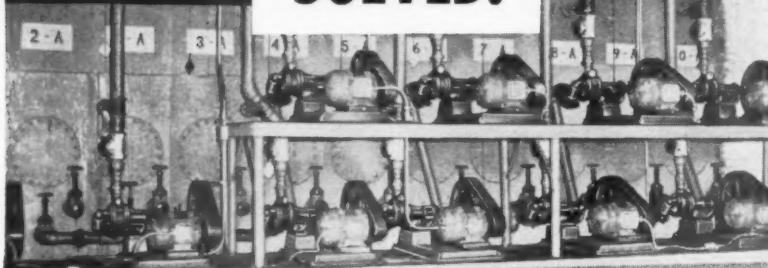
ON CALL. Tearse introduces himself to Bud Purcell, a furniture store owner who puts most surplus cash into business but wants to hear more about stocks.



AT BREAKFAST on day off, Tearse helps his wife in three-bedroom home they are buying in Menlo Park, south of San Mateo.

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weeks in the cage, two weeks in the margin department, and so on. Most brokerages on Wall Street still do it this way, and for some, such as H. Hentz & Co., it seems to work out well. But many other firms find that it doesn't pay. It forces administrators into the unfamiliar role of teachers, and without proper guidance trainees often disrupt a department's operations and have to be told quite bluntly that they have to stay out of the way.

The casual training techniques of the past probably stemmed from the tradition that Wall Street was a sort of gentleman's club. Through the 1920s, most securities men either had money or connections or a record on an Ivy League football team. A fortunate few had all three. Selling securities was often simply a temporary occupation; you got rich quick or moved elsewhere.

But most of the salesmen who lasted through the great crash acquired some expertise of their own. In the 1930s and 1940s, working in Wall Street was pretty much a professional's job. Young men looked elsewhere to make a lot of money.

• **Coming of Change**—The shift began with the 1950s and the surge of public interest in equities. Bright youngsters became attracted to the idea of selling securities, and brokerages found they needed more salespeople.

The younger generation in Wall Street today is a little different from its counterpart in earlier years. Like Dean Witter's Tease, most are a mixture of academic and extrovert; they have a bit of practical experience behind them and a willingness to spend long hours mastering the ins and outs of investments; they are out for big profits, but they aren't necessarily using the job as a jumping-off place for some other trade.

Brokerage houses can't claim that all their customers' men are perfect. Some brokers churn accounts to build up commissions; others tout stocks indiscriminately; still others can't analyze a security—or judge the worth of somebody else's analysis. But if you listen to some in the business, this type of broker is being weeded out by the new stress on training programs.

• **Class Begins**—The first—and most complete—formal training program was launched in 1945 by the late Charles Merrill at what is now Merrill Lynch, Pierce, Fenner & Smith. Wall Street regards the Merrill Lynch program as the only "college" in the business. This year, the brokerage will graduate some 250 salesmen.

At Dean Witter, a general partner, John Witter, decided after World War II that his firm needed a program to provide both energetic salesmen and new management. Explains G. Willard

VIP*



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You can reach these "top third" Michigan farmers most effectively with **MICHIGAN FARMER**, where articles are edited for their own crops, their own soil, their own state. Michigan farmers prefer their own state farm paper 2 to 1 over any other farm publication.

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Miller, Jr., who is in charge of Dean Witter's salesman training: "By the end of the war, the average age of men in the investment business was 55. Our firm's average was even higher than that. We needed new blood."

Since 1945, Witter has spent \$4.5-million to train 451 salesmen—of whom 295 are still with the firm, 11 as partners. Before the war, it held on to only about 10% of the salesmen it hired. In the 14 years since, the figure has grown to 65%. The company attributes the improvement chiefly to its training methods, which are constantly being refined and revised.

• **Accent on Producers**—Dean Witter looks on salesmen as the lifeblood of a brokerage house. This is particularly true in a house such as Witter, where the bulk of the business comes from selling securities to individuals rather than to institutions. Witter is less interested in specialists than some brokerages are, and it conducts its training program for six months—the minimum training period before a broker can be registered. Today a number of houses have programs up to a year in length, and some investment banking houses spend two years grooming apprentices.

In choosing its trainees, Dean Witter ideally seeks a man who is in his mid-20s, married, has two children and an M.B.A. He should have an ardent desire for the job, too. Of course, few trainees fit the mold exactly. So Dean Witter will accept as applicants men between 25 and 35 who have at least a bachelor's degree, with some education in finance, and who have completed their military service.

Most applicants hear about the program by word of mouth or through business schools contacted by the firm. Occasionally, Witter runs newspaper ads in cities where it wants to build up branches. Until a few years ago, Wall Street houses made annual pilgrimages to B-schools and universities along with the rest of industry, but applications have been so numerous recently that they don't recruit so energetically.

• **Rigid Testing**—Dean Witter accepts only about one in five applicants for preliminary testing, and fewer than half of these make it through to the training program.

The testing consists of two multiple-choice questionnaires developed by the University of California's psychology department. One is an I.Q. test, the other a self-perception exam designed to reveal the candidate's attitudes toward himself, where there are no right or wrong answers, according to a Witter man. "We know what kind of score our successful salesmen have made, and use that as a guide," he says. Other firms employ similar tests.

After the quizzes, the applicant

huddles with Dr. Edwin Ghiselli, a consulting psychologist from the University of California. In 14 years of testing candidates for Dean Witter, he has talked to about 500 men for an hour apiece. He rates applicants on eight different counts—including social adaptability, emotional stability, confidence, and drive—to check their personal and financial goals. His say has a good deal of influence with the firm's partners.

• **Paid to Learn**—Once accepted, trainees start in on a rigorous three-part schedule:

• On-the-job training in Witter's 11 departments.

• A couple of hours daily devoted to two correspondence courses given by the privately run New York Institute of Finance—one on technical phases of the investment business, the other on research and analysis of securities.

• Classroom lectures. To simplify presentations, Witter's executives recently put their lectures on tape, at a cost of \$10,000.

This format is roughly the same for all brokerages—although Witter leans more on correspondence courses than New York firms and employs fewer outside lecturers.

During training, a man gets \$350 a month if he is single, \$400 if he is married, and \$425 if he has children. When his six-month stint is up, Dean Witter puts him on a guaranteed drawing account of \$425 for six more months. After that, he generally gets 33 1/3% of his gross commissions, but he can work this up to 40% or 50% if he pulls in lots of business. Gross commissions paid to NYSE firms by their customers figure out to an average of about 1% of the value of transactions. To make \$450 a month in net commissions, a salesman would have to sell about \$1.6-million worth of securities in a year.

Some houses use a sliding scale of salary and commissions; others put their men on commission right away.

• **How to Sell**—Most trainees pick up selling tips from mock sales interviews during their training period and from watching established salesmen at work.

Witter leaves it up to the trainees to develop their own prospects, but it provides leads and expects them to make 25 or 30 telephone calls a day.

Despite the steady increase in commissions over the past 12 years, it takes a lot of volume to make a lot of money. But there are few other places in U.S. industry where after 10 years or so a man can pull down \$30,000 to \$100,000 a year in net commissions alone. That's why—with or without training programs—young men such as Dean Witter's Tease will continue to run whatever risk there is in investing someone else's money. **END**

Another example of Addressograph-Multigraph cost-cutting



Shown above in Whirlpool's St. Joseph automatic washer plant are (right) H. J. Coon, Mgr., Systems and Procedures, and (left) J. L. Schoonover, Procedures Analyst

**Now they're saving \$50,000 a year
...with Multigraph Methods**

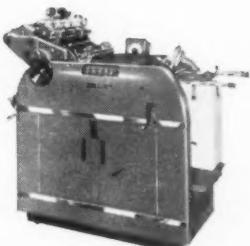
After carefully analyzing Whirlpool Corporation's requirements for printed materials—forms, manuals, promotional literature, etc.—a Multigraph representative made this proposal: Multigraph Methods could save \$50,000 a year on \$175,000 worth of printing.

"Too good to be true," said the company and called in unbiased consultants—a printing expert and a CPA. Result: the estimated savings were found to be entirely feasible! Here are some reasons why: inventories would be reduced by gearing quantities produced to immediate requirements. Obsolescence

would be largely eliminated. Storage space would be saved. Costs would be cut in many ways.

On the basis of this analysis, Whirlpool Corporation went ahead with the recommended installation ... and is now actually saving more than \$4,000 per month as a result of the Multigraph installation.

Your business, large or small, can gain important cost-cutting advantages through Multigraph Methods. Ask your nearby Multigraph representative to show you how. Or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.



Multigraph Multilith Offset Duplicator, Model 1250

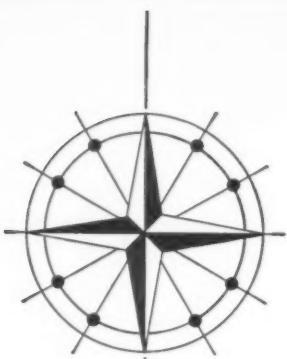
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Wall St. Talks . . .

. . . about change in margin requirement, Farrington convertible debentures, Polaroid's rise.

The Federal Reserve is debating a change in margin requirements. Some officials would like to cut the 90% margin to 50%, now that inflation fears are no longer threatening so much. However, the Fed worries lest such a cut in requirements might be interpreted as a sign of concern over the business outlook. Possible compromise: a two-stage reduction, first only to 70%.

Underwriters of the \$6-million offering of **Farrington Mfg. Co.** convertible debentures say the debentures will be sold "directly to a limited group of investors." But demand for the securities—or SEC action—could force them to change their minds. Farrington's common stock, split four for one in February, has more than doubled in price since Jan. 1.

SEC focused on trading of **Polaroid Corp.** stock after it had shot up more than 27 points to 227. There was a suspicion that some mutual funds, which hold big blocks, tried to run the price up so as to dress up their first-quarter reports. However, brokers say buying in the issue was "scattered." Some attribute the rise to Polaroid's "upside breakout"—the technical fact of its going over 200—and others to reports of greatly increased earnings.

Another fast-rising stock, going from 88 to 104, is **American Ship Building**. The company denied rumors that it is about to announce another acquisition, though Pres. E. Q. Sylvester said it is continuing to look for companies to buy. Sylvester said earnings should be three or four times as good as last year's.

Hydrometals, Inc., continues to bounce like a yo-yo. A few months ago, on news of a new zinc alloy, it jumped from \$14 to \$24. Then it sank to \$20. This week it rose again near its high, just before announcement that a Lehman Bros. man had been elected to the board and the company is considering a new stock issue.

The stock market's "bear signal" on Mar. 8 (BW-Mar. 19 '60, p175) has hurt mutual fund sales. One fund executive says: "Sales were going just great up to that time, but since then they have fallen flat. We're getting lots of inquiries from our advertising, but people aren't buying."



They also grow Oil in Montana and North Dakota

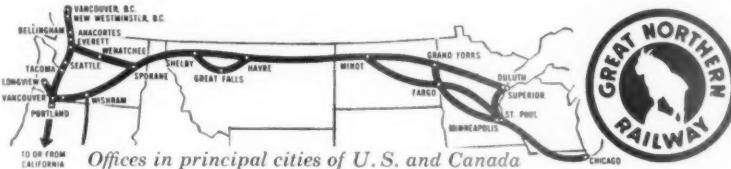
...and send it to market via Great Northern

In North Dakota and Montana, they've struck oil above the ground, as well as deep beneath it. And they aren't drilling for this new oil; they're harvesting it!

Star of another new oil industry in this area is the safflower, a plant whose seeds are more than one-third oil. Safflower oil is a superior paint and varnish ingredient. Nutritionists recognize its value as an edible oil and an increasing proportion of the production is being designated for human consumption.

The safflower thrives in dry-farming areas where late summer rainfall is scarce, providing a good cash crop with no threat of surplus.

Around this hitherto obscure plant a lively, growing industry is springing up, aided by Great Northern Railway. It's another instance of our eagerness to encourage new industries in the resource-rich states we serve, and to transport their products to market skilfully, efficiently, economically.



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or E. N. Duncan, Director,
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Great Northern Railway
St. Paul 1, Minnesota

In the Markets

Stock Prices Pick Up a Little, But Investors Are Still Cautious

Stock prices this week showed a little bounce, an indication that investors were hoping for a brighter spring. A really strong rally is improbable until there are definite signs that the winter slump was nothing but a pause in a generally strong business picture. But if the expected spring upturn fails to materialize, investor confidence may once again weaken and cause a new and steeper decline in stock prices.

At the moment, the market seems to be split into two distinct groups: the glamorous "growth" stocks, which include many electronics issues, and a much larger group of stocks with cyclical characteristics—steels, autos, chemicals. Most growth issues have not been marked down substantially in this year's decline; some of them, in fact, have moved up to new highs. Both institutional and individual investors have continued to pour funds into these high flying issues in the expectation that their growth will be maintained. As a result, they are selling at extremely high price-earnings ratios, far out of line with the market as a whole.

The cyclical group shows a very different picture. They have been sold heavily, and their price-earnings ratios are back to the levels prevailing in 1955-57, despite the fact that many of them have improved in status, and are not nearly as cyclical as they once were. If the economy does spring back, then stocks in this group will probably enjoy some renewed backing, because they have suffered the most.

But until the investment climate shows a marked change, the chances are that stock prices—and most stock indexes—will tend to move in a narrow range. Wall Street veterans put considerable store in the cliché that the market never discounts the same things twice. The decline to date has definitely discounted the over-optimistic expectations of the 1960 outlook.

Uris Brothers Set Up New Company, Plan \$20-Million Package Offering

New York's biggest office builders, Percy and Harold D. Uris, announced this week that they have put part of their holdings into a new company, Uris Buildings Corp., and plan a public issue of \$20-million in debentures and common stock.

The offering will be a unit package, each unit consisting of (1) \$100 principal amount of debentures with an attached warrant to purchase four shares of common, and (2) two shares of common stock. In all, 400,000 shares of common stock and warrants for the purchase of 800,000 shares will be offered. Prior to the offering, Uris Bros. and associates will own all 2.8-million shares outstanding of the new company; after the sale of the

common, they will hold 87 1/2% of the 3.2-million shares then outstanding.

Uris Buildings Corp. will acquire from the Uris brothers all the outstanding stock of seven Uris office buildings—two in Philadelphia, the rest in Manhattan (one is in the process of construction, another is still in the blueprint stage).

20 Individuals, Brokerage Houses Indicted in Stock Fraud Case

With stock prices in the doldrums, speculative fever in the market is much less evident. But charges of manipulation and fraud, which took place when the bull market was on the rampage, were still being aired this week:

- Twenty individuals and brokerage houses—including a defunct member firm of the New York Stock Exchange as well as Singer, Bean & Mackie, Inc., one of the largest over-the-counter houses—were indicted on charges of fraud in the sale of 750,000 allegedly unregistered shares of Gulf Coast Leaseholds, Inc., Houston. The defendants denied the charges.

- The Securities & Exchange Commission opened an investigation of fraud charges against Miami promoter Michael Angel Socrates Makris. The SEC staff charges that Makris defrauded customers, sold unregistered shares, and that his company, Makris Investment Brokers, "converted funds and securities of certain customers to its own use and benefit." Makris, who is currently out on \$30,000 bail in Texas awaiting extradition on similar Florida charges, calls the whole thing a "frame-up."

Mutual Funds Shift Holdings In Search for Bargains

The effect of the cautious investment policy mutual funds are following in the stock market (BW—Feb. 6'60, p110) is showing up in increased holdings of cash and bonds at many funds:

Herbert R. Anderson, president of Distributors Group, Inc., says that there has been a 50% increase in the bond holdings of Fully Administered Fund, DG's balanced fund. Bonds are now 31% of assets, compared to 20% at the beginning of the quarter. But Anderson points out "we've been switching, looking for value," rather than selling out in big doses. Typical example: General Foods (103) to Standard Oil (N. J.) (+4%).

Keystone Custodian Funds has boosted the cash holdings of its 11 funds—which total about \$500-million—substantially from 1% to 2% of assets, which is considered normal, to 7% or 8%. Keystone says that the drop in stock prices has created a good opportunity for bargain hunting.

But Stein Roe & Farnham, which manages two no-load funds, went in the other direction. "We've maintained the proportions of common stock in our portfolios," says Vice-Pres. Henry B. Thielbar. "In some cases we have bought to offset market depreciation. Right now I would rather be buying steels (which are depressed) than foods (which are high)."

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**no wonder
beavers love
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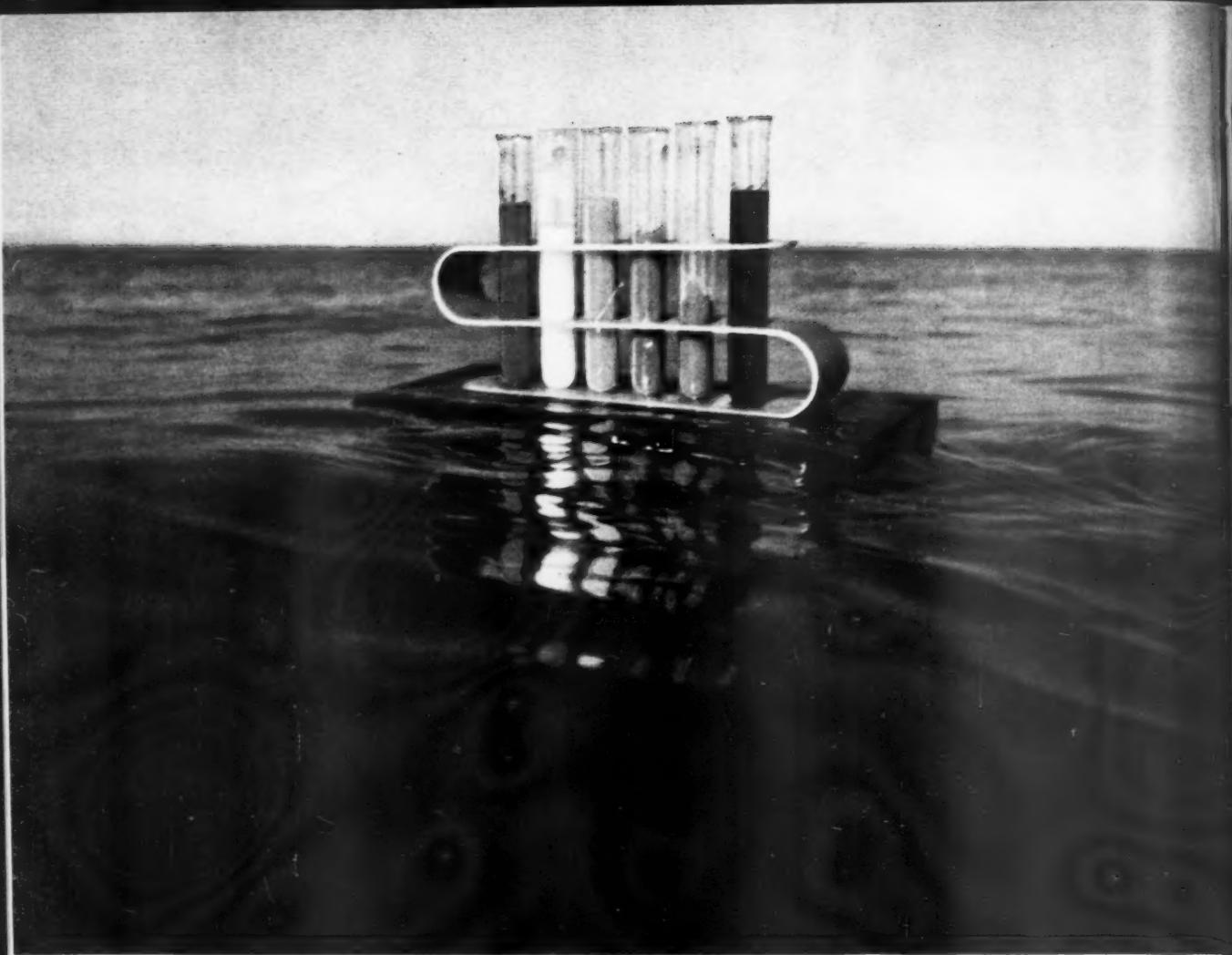
Not one beaver had to be sacrificed to make our model's lovely coat. Like simulated furs of other creatures, this garment is made from synthetic fibers spun from petroleum chemicals.

In addition to "furs" and fabrics, many high-strength industrial products are made from or reinforced by synthetic fibers. Furthermore, synthetic rubber, plastics, detergents, fertilizers and other materials are made better and cheaper with petrochemicals . . . which now account for more than one-half the dollar value of our entire chemical production!

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PERSONAL BUSINESS

BUSINESS WEEK

APRIL 2, 1960



You'll probably be hearing a good deal more luncheon talk about how satisfying it is to an executive to have a deferred pay contract.

The Treasury has now approved two widely used "deferred plans"—where current compensation is put off into lower-income, lower-tax years. Thus, it dispels some clouds of doubt as to whether the executive could get the advantage of tax deferment on this added income (BW—Sep. 26 '59, p165).

On the pure tax-saving side, of course, the deferred pay idea has advantages you can't argue with. Take this typical set of facts, based on an actual case: Say you and your wife are both age 55; you have two youngsters in college, and own a sizable new home, subject to a mortgage. Your base salary is \$25,000; you get an annual bonus that averages \$6,000, and your income from investments is roughly \$3,000 a year.

Thus, your gross income is about \$34,000. Allowing for four personal exemptions (\$2,400), and a typical range of deductions including your mortgage interest and real estate taxes (say, \$4,600), you come out with a taxable income of \$27,000. Your tax on this is \$8,090.

Now suppose your company gives you a promotion and an \$8,000 salary boost, which carries also about \$2,000 more in bonus. Your exemptions and deductions don't change, so your taxable income is now up to \$37,000. This means a tax of \$12,930, instead of \$8,090—and you wind up keeping only \$5,160 of your \$10,000 raise.

But suppose instead of the raise you get a deferred pay plan. Your company agrees, in effect, to earmark \$10,000 a year in your name, in a special "reserve account"; in 10 years when you retire, the company will start paying you 10 annual installments of \$10,000 each. If you die before you're able to collect all the installments, the money goes to your family.

Then, starting at age 65, your income looks like this: \$10,000 a year deferred pay, \$6,000 from expanded investments, and \$2,088 from Social Security (based on present law)—total, \$18,088. Taxable gross income is \$16,000, since Social Security is tax-free. You still have four personal exemptions (\$2,400) even though your two children are grown, because you and your wife are both 65, and you have deductions adding up to a modest amount (say, \$1,600), consistent with unencumbered home ownership. Your taxable income, then, is \$12,000—and on this you pay a tax of \$2,720 a year.

So, instead of keeping only about 50% of a \$10,000 pay raise, you defer the raise to later years, and keep roughly 80%. Over the long haul—assuming the above facts—you save yourself and your family a clear \$30,000 in tax money. Even considering such factors as inflation, this is a pretty healthy long-run profit. And the truth is that this example shapes up as fairly conservative, compared with what some high-income people gain from similar deferred pay agreements.

Here's a brief rundown of the Treasury-approved plans:

- **Fixed fee contract.** Jones agrees to work for XYZ Corp. for a specific term of years; he gets a salary plus an added fee that will be credited to a bookkeeping "reserve account" yearly; at the end of his term he gets the added-fee money in equal annual installments. These payments are a matter of contract between Jones and the company, with no trust established—so if he fails to perform his duties, the company can stop putting funds into the reserve account (but would still be obligated to distribute the funds that had

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
APRIL 2, 1960

already been credited). There is no forfeiture provision; if Jones dies before the end of his term of employment, or before all the credited funds are paid to him after retirement, his family gets the deferred benefits.

• **Percentage of earnings.** XYZ Corp.'s plan calls for a certain percentage of its net earnings, before taxes, to be divided among its top men in proportion to their individual salaries. The extra compensation isn't paid currently, but is credited to a bookkeeping "reserve account" for each executive, less tax money. Payments normally start at retirement, but may be stopped by the company if the retired executive enters any competitive business, or fails to make himself available for consultation, or borrows on his future interest under the plan. Again, this is a contract, with benefits payable to the executive's family, if necessary.

Note: In no case has the executive a present right to demand and receive payment of any of the income slated for deferment. If the plan were such that he could make such a demand stick, his "deferred pay" likely would count as currently taxable income.

—•—

Keogh bill stymied: Washington sources say there's no early compromise in sight on the Keogh bill for self-employment retirement rights (BW—Feb. 21 '59, p118).

The bill, approved by the House, would give a self-employed person a tax deduction up to \$2,500 a year for contributions to an approved retirement plan. However, the Treasury reportedly is against this. As for a compromise plan under which the self-employed person would be required to provide coverage for his employees, too, it's being opposed by some groups (including engineers, doctors, and lawyers) who want the original Keogh bill.

—•—

This Presidential campaign year has already produced a crop of lively books about the nation's highest office. Here are a few:

1600 Pennsylvania Avenue, by Walter Johnson, examines the four Administrations since 1929 (Little, Brown; \$6); Jack Bell's **The Splendid Misery**, offers close-ups of America's Presidents in their everyday operations (Doubleday; \$4.95); **The Invisible Presidency**, by Louis W. Koenig, takes a long look at seven power-wielding "court favorites" (Rinehart; \$6.95); and **White House Fever**, by Robert Bendiner, is a relaxed view of the practical side of Presidential races (Harcourt, Brace; \$3.75).

—•—

Thinking about having some painting done about your place this spring? If so, there are some unusual new paints you may want to discuss with your contractor. Among them are a roofing paint, with aluminum flakes, said to cool a house by 15 deg.; a germicidal coating for summer cottages, with an insecticide reportedly effective for a season; a white housepaint, described as stain-resistant for 10 years; a quick-drying spray coating that stops rust; and a "chalkboard" wall paint for a child's room.

—•—

Dues department: Hunt club members who pay monthly stable charges for their horses have had their equestrian rights bridled by the Internal Revenue Service. These fees, says IRS, are subject to the 20% federal dues tax, as are any charges for the use of facilities at athletic, social, or sporting clubs that cover a period of a week or longer.

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2 Arouse Interest

3 Create Preference

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"We saw their ad, and ordered a few sets to try out."

*Maintenance Superintendent,
Transportation Co.*

"I wrote for further information, and they referred me to their local man. He came out and sold us a machine."

*President,
Ice Cream Manufacturer*

"After seeing the ad, we called their man in. He showed us what to use, and we bought about \$5,000 worth of screens."

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4 Make A Proposal

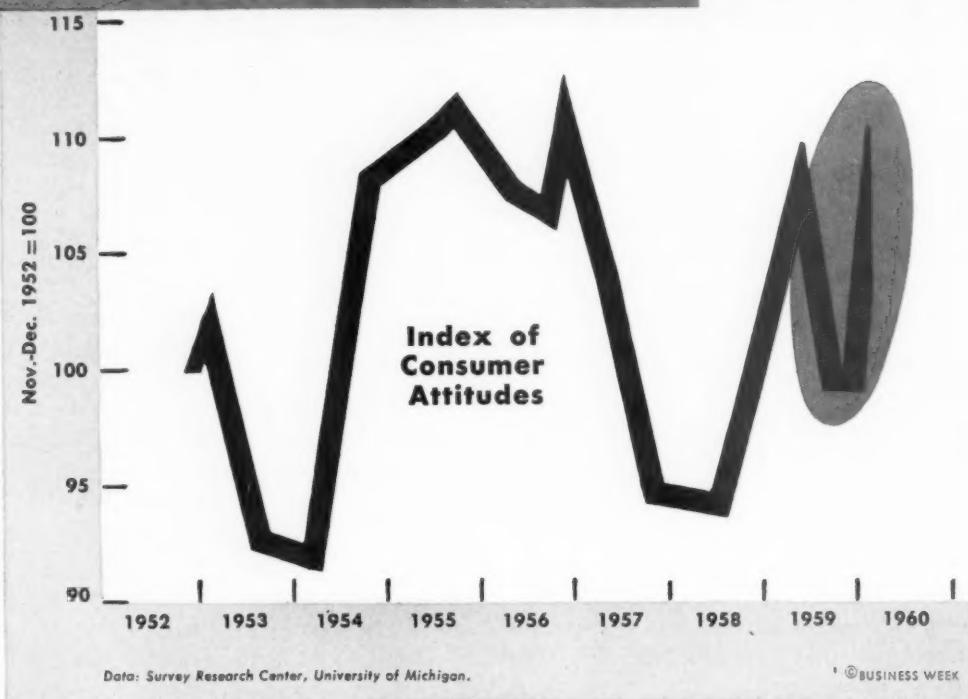
5 Close the Order

6 Keep Customers Sold

More Advertising Here

Means More Sales Time Here

Confidence Rises to Near High



Public Poised to Open Purses

The upswept look of the new curve in the index of consumer attitudes (chart, above) has an important message. Last year's break in confidence apparently was only a temporary setback. With the steel strike safely past, consumer confidence in the future has rebounded to near-high levels.

This is the finding of the Survey Research Center of the University of Michigan. It is based on a survey of some 3,000 spending units between Jan. 5 and Mar. 5. Until this year, the Survey of Consumer Finances was carried out in cooperation with the Federal Reserve Board. This time, grants from business concerns and the Ford Foundation supported the project.

The unmistakable growth in optimism unearthed by the researchers sounds a note of cheer just when people most want to hear it. In recent weeks, many crystal gazers—including Wall Streeters—have had some second thoughts about their early predictions for a 1960 boom. If consumers act the way this survey suggests, the economists may be able to put a lot of these worries behind them. It would not be the first time that the cheerful consumer

had come crashing through to push an uncertain economy forward, as George Katona, director of the center, argues in his recent book, *The Powerful Consumer* (BW-Mar. 26 '60, p. 64).

• **Keep Cool**—Nevertheless, the center urges some caution in interpreting the latest data. Despite the upturn in the index, it is still below its past peaks. The consumer has not committed himself to supporting a runaway boom. Most of the index's components point upward, it's true. But there's still a fly in the ointment: the consumer's fear that rising prices may outrun the contents of his purse.

I. Buying Intentions

An important component of the index is how often consumers express intentions to buy automobiles and major household items. On this score, consumers had some heartening things to tell early in 1960.

Intentions to buy new cars in the next 12 months ran about 20% higher than a year ago. That's not quite so rosy as it sounds. Early last year, intentions to buy cars climbed sharply, only

to slow down with the steel strike. Car-buying plans this January and February were only a little ahead of intentions reported last June and November.

• **Home Thoughts**—Plans to buy houses also picked up during the last few months, after drooping last spring and summer. And plans to buy most household equipment items are "somewhat higher" at present than a year ago.

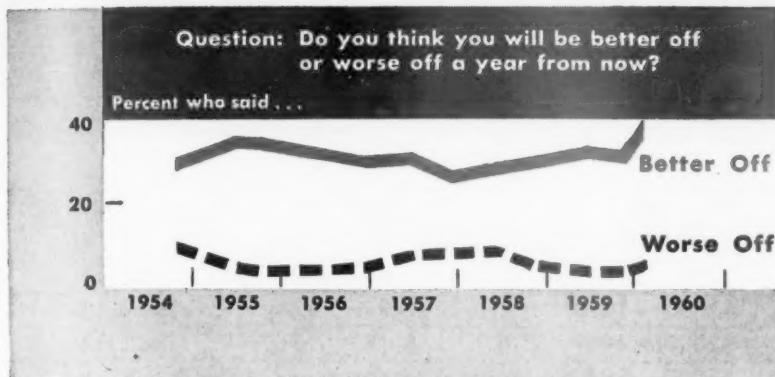
The strength of the buying intentions component shows up this way: With such intentions included, the index of attitudes jumped to 110.4 from 99.8 in October-November, 1959. The center also figured the index minus the buying intentions factor. Without this component, the rise was less spectacular—from 102.0 in October-November to 108 in early 1960. In other words, buying intentions contributed more than a routine share to the latest rise.

II. Solid Fact

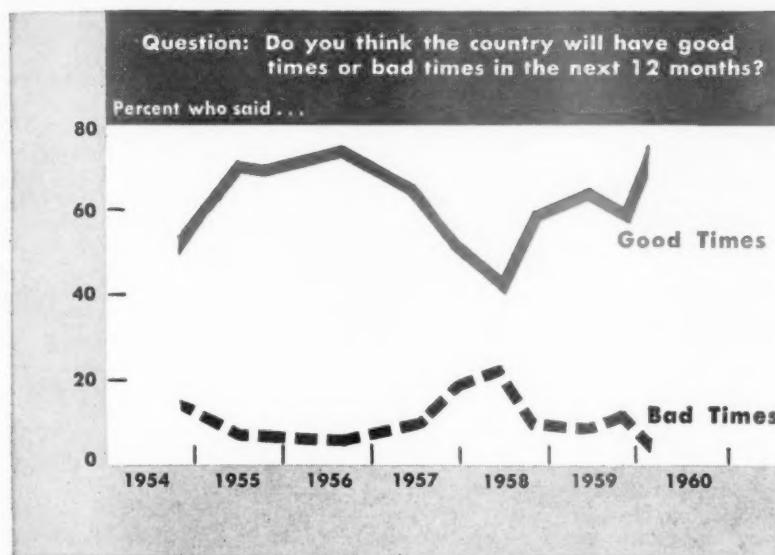
On two important counts—income and liquid assets—the buying public appears to be in a good position to put its intentions into action.

In 1959, 22.5% of the nation's

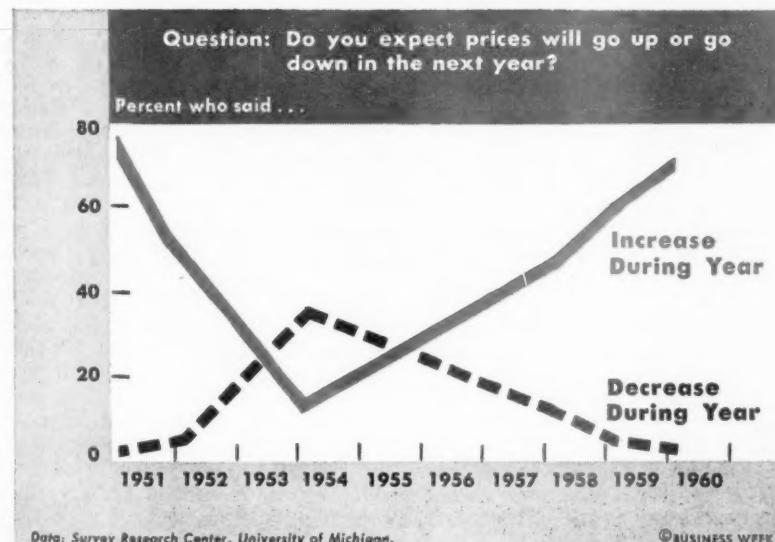
Consumers are hopeful about their prospects



And even more optimistic about business



The one sour note: More expect rising prices



ADD
\$4000 to \$8000
to your income
with a
SPED WASH

Self Service Laundry



A tailor-made opportunity for a professional man or successful businessman to invest — for additional income now and supplemental income for retirement. You continue your present occupation without interference. Speed-Wash, the completely coin operated laundry provides:

FAST AMORTIZATION OF INVESTMENT

Annual earnings up to 20, 30 and 40% are being made on investment. This is due to sweeping changes in home laundering methods. Housewives prefer the pleasant, colorful surroundings of a do-it-yourself, coin operated Speed-Wash — plus almost 50% savings in laundry cost.

NO CREDIT, INVENTORY OR LABOR PROBLEMS

20 Washers, 6 to 10 drying tumblers are required for a typical Speed-Wash installation — an investment of \$12,000 to \$15,000. Business then runs itself. No attendants are required. Maintenance, coin collection, janitorial services can all be handled by contract services. Speed-Wash installations are open 24 hours a day, 7 days a week.

MINIMUM SUPERVISION

To a professional man or businessman, Speed-Wash offers the opportunity to add \$4,000 to \$8,000 per year income, with little or no supervision. No expert training, no special knowledge necessary.

AN UNPRECEDENTED BUSINESS OPPORTUNITY!

Speed-Wash coin operated laundries offer an unprecedented business opportunity for growth and income. It's America's fastest-growing business with single installations rapidly expanding into chain operations encompassing entire cities and territories. We supply store planning. A financing plan is available to get you started. For complete information, call or write . . .

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4 months



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saves money**

and time, too. The cost of an Auto-typist at \$900 is equal to the salary of an average typist for *only four months*. And, it will do in an hour and a half or two hours what it would take her all day to type by hand.

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Distribution of Liquid Assets

(Percent distribution of all spending units)

LIQUID ASSETS	JANUARY-FEBRUARY OF THE SURVEY YEAR							
	1950	1953	1956	1957	1958	1959	1960*	1960*
Zero	31	29	28	24	26	25	24	24
\$1 - 199	16	16	15	17	17	18	15	15
\$200 - 499	11	12	12	14	14	13	12	12
\$500 - 999	10	11	12	12	11	12	12	12
\$1000 - 1999	10	12	11	11	11	10	12	12
\$2000 - 4999	13	11	12	13	12	12	14	14
\$5000 - 9999	6	5	6	5	5	6	6	6
\$10,000 and over	3	4	4	4	4	4	5	5
TOTAL	100	100	100	100	100	100	100	100

Source: Survey Research Center, University of Michigan

*Preliminary data

BUSINESS WEEK

spending units had an income of more than \$7,500—the highest proportion yet. Only 29% had incomes of under \$3,000, against 36% who fell in that bracket in 1955.

About 25% reported liquid assets of \$2,000 or more (liquid assets include government savings bonds, checking accounts, bank savings accounts, shares in savings and loan associations and credit unions). This again represented a new peak (table, above).

• **Some Up, Some Down**—Another important question that, seemingly, would relate to facts is how consumers view their own financial performance over the past year. Here, the latest survey showed not much improvement. It's true that 34% reported they were better off financially now than they were a year ago, whereas only 31% reported so in late 1959. But the number who felt worse off in early 1960 had also risen slightly—from 23% to 26%. The surveyors sum up this seesaw picture as representing no basic change.

III. Mood Music

Actually, the researchers view questions about improvement in financial conditions as somewhat subjective. Many of the questions seek to determine not facts but attitudes: a consumer's feelings about his own prospects and about the prospects of the economy. Mood has a definite part to play in spending, Katona insists—even when mood and the facts appear to part company.

On nearly every point, the consumer feels good about the way things seem to be going. He is moderately encouraged about his own financial prospects over the next 12 months. Some 40% expect to be better off a year from

now; only 33% felt that hopeful last fall. This 40% is the highest count yet on this question.

• **More Bulls**—When they look at business conditions around the country, consumers soar even more in confidence. Three-fourths of them see good times for the country as a whole during the next 12 months. Only 61% felt that way last October and November. Conversely, those who expect dark days have shrunk to 7%, from 13% in the previous survey.

IV. The Price Bogey

The center did not release data on how the consumer regards the present market: as a good time or a bad time to buy. Its findings here were so favorable that it withheld them lest they be misinterpreted. But it does report that the proportion of people who think 1960 is a good time to buy is "much higher" than in 1959.

Only on one major point does the consumer feel bearish. From where he sits, rising prices seem a stronger threat than ever. Though few economists would agree with their forecast, 72% look for price increases in the next year. This is second only to the 77% who rightly anticipated rising prices in 1951. And by now the consumer believes overwhelmingly that rising prices are "to the bad"—for himself and for the economy. About 50% look for higher prices over the next five years.

Caution on prices seems to have affected consumers' thinking about buying cars. Intentions to buy used cars still outpace intentions to buy new ones. And the compact car continues in strong favor. The growing availability of the compacts has helped allay



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Cooler gloves are aid to safety

When warm Spring days come, employees tend to become "careless" about wearing work gloves. The nuisance hand injuries that result are costly. To combat this problem, many plants supply or make available lighter, cooler, palm-coated gloves for operations where palm-coating gives ample protection. The fabric backs provide welcome ventilation while the palm coatings, of rubber, plastic or Neox neoprene, protect from cuts and abrasion. They so far outwear ordinary canvas or leather palms that cost savings are often astonishing.

Free Test Offer to Employers: Edmonton makes a dozen types of palm-coated gloves with different wear and gripping characteristics to fit different jobs. Tell us your operation. Without cost we will recommend correct gloves and supply samples for comparison testing on-the-job.

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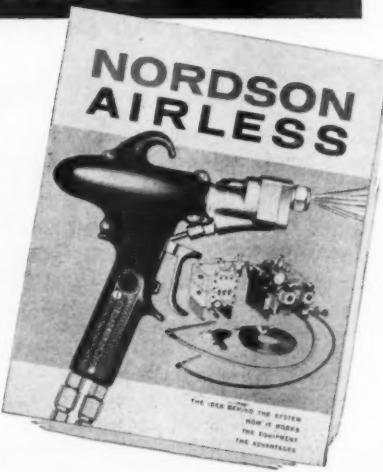
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doubts about high prices for autos. The net result is that the median planned expenditure for new cars shows a sizable drop compared with last year.

Where consumers see price stability, this evidently has its effects on their attitudes toward buying. Relatively few people, for example, feel it is a bad time to buy appliances. Their major reason: They feel that prices on appliances have stayed fairly even. Similarly, opinions about the housing market have recovered substantially since last fall. Late last year, people talked a good deal about rising interest rates as a deterrent to a good housing market.

V. Buts and Ifs

You can always argue that expectation of rising prices will force buying. The consumer, however, views rising prices with anxiety. He may fear that he may not be able to stretch his purse around all the necessary expenditures, and this can have a negative effect on purchasing. This is one major reason why the Michigan researchers hold out no promises for an all-out buying spree.

They issue another warning note. Between November, 1959, and February, 1960, the attitudes of lower and middle-income people improved more than the attitudes of upper-income people. The upper-income groups are still more optimistic, but the gap has narrowed. Possibly, the relatively slower growth of optimism among the better-heeled reflects the recent behavior of the stock market. But the researchers frankly admit this one puzzles them—for the expectations of the upper-income group have also improved in the last few months, though not by so much.

The reason for concern about this slower rise is plain. The higher-income groups spend more on durable goods than the lower-income groups. Coupled with the general unhappiness about the expected trend in prices, this tends to pinch the bloom off any free-wheeling boom. Due weight, too, must be given to the fact that neither the index nor most of its components achieved sky-high levels.

• **Ready to Go**—Nevertheless, there's a chance, it now seems, that the bets might lie with the marketers. For several surveys past, the Survey Research Center has been warning that the big nut for marketers to crack is inflation and consumers' fears of inflation. Right now, it looks as though the consumers who see nothing but higher prices ahead for the next year may be wrong.

On almost every other count, the consumer is set to go. One may fairly ask this question: What happens to a consumer who expects rising prices in major

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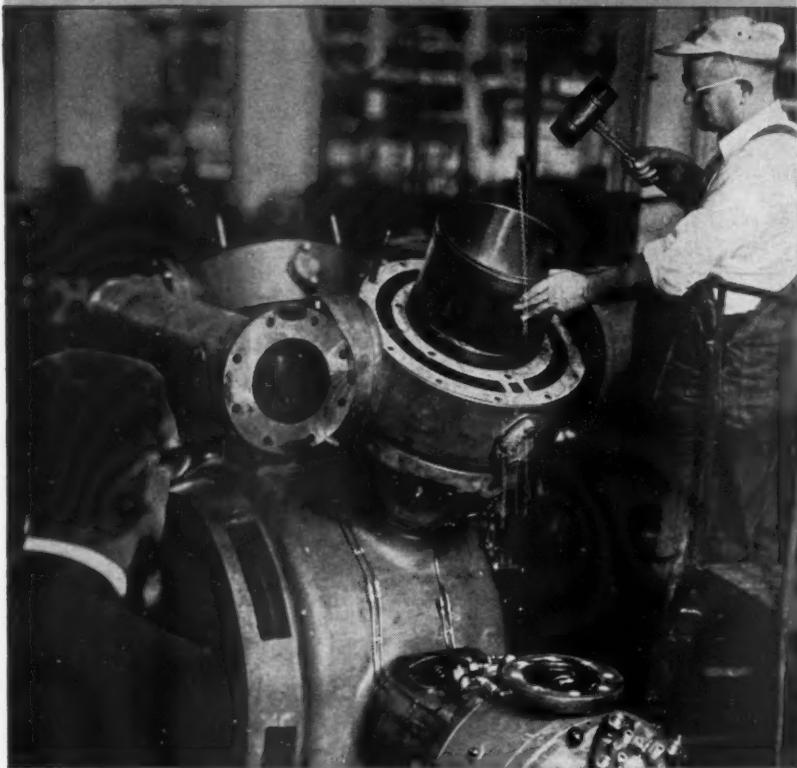


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Joy's exclusive cylinder construction gives longer service life and cuts maintenance costs. Since the liner is cast and machined separately from the rest of the cylinder, the alloy used is selected for the specific properties which will increase its wear resistance. Machining and heat treating also are tailored to produce the best cylinder walls. This gives much better wearing quality than is possible with the conventional one-piece cylinder construction, which is a compromise. An added advantage of the Joy construction is the ability to replace the liner easily in the event that the walls are accidentally scored. The expense of reborning is eliminated, and the compressor is down for a much shorter period.

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durables and finds that some of his fears at least are groundless? Psychologically, this might turn him into the kind of spender the market is yearning for. It just might prove the key to unlock the back part of his wallet, where he keeps his mad money.

MARKETING BRIEFS

Coin machines will soon sell records—instead of just playing them. U.S. Chemical Milling Corp. expects to take in \$2-million annually from its new vending machines for phonograph records. It plans to place the units in such outlets as gas stations, drug stores, and movie theaters.

Sponsors should involve themselves in TV shows, says du Pont in its employee magazine. "The TV field has suffered not through too much acceptance of responsibility, but of too little," says the editorial. It expresses disagreement with "one of our larger industrial companies"—Standard Oil Co. (New Jersey)—which recently announced its hands-off sponsorship policy for a TV drama series (BW-Jan. 23'60,p34).

Adell Chemical Co., maker of the detergent Lestoil, will be sold to Standard International Corp., a diversified holding company (\$10-million to \$20-million holdings). Founder and owner Jacob Barowsky says he is selling out solely for estate tax reasons. He says the new owners will continue the TV advertising approach campaign that's credited with boosting Adell's annual sales from \$90,000 to \$24-million in six years.

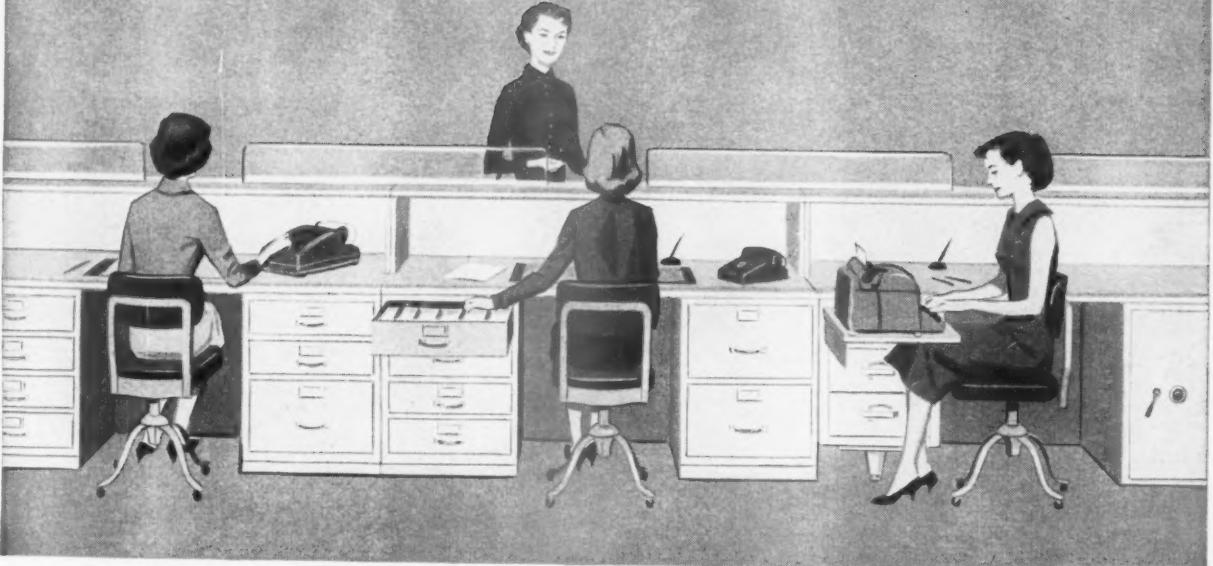
Trading stamps have gotten into politics. A Syracuse Kennedy-for-President Club reports brisk business from its offer to give 10 stamps for each dollar donated to the candidate's cause.

Common stock replaces exotic trips as a sales incentive for dealers of Norge Div. of Borg-Warner Corp. Dealers will earn one share of Borg-Warner for each \$2,000 of sales over quota—quota being set at 75% of last year's sales. Norge will share with its distributors the cost of furnishing the stock.

Bulova Watch Co. and Citizen Watch Co. of Tokyo have agreed to market each other's products. Bulova sees an opportunity to penetrate the "active" Japanese market for higher-priced imported watches. And it expects that Citizen will provide it with a cheaper jeweled-lever watch to retail from \$12 to \$25.



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EVERY CONVENIENCE FOR THE CLERK

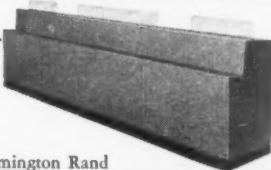


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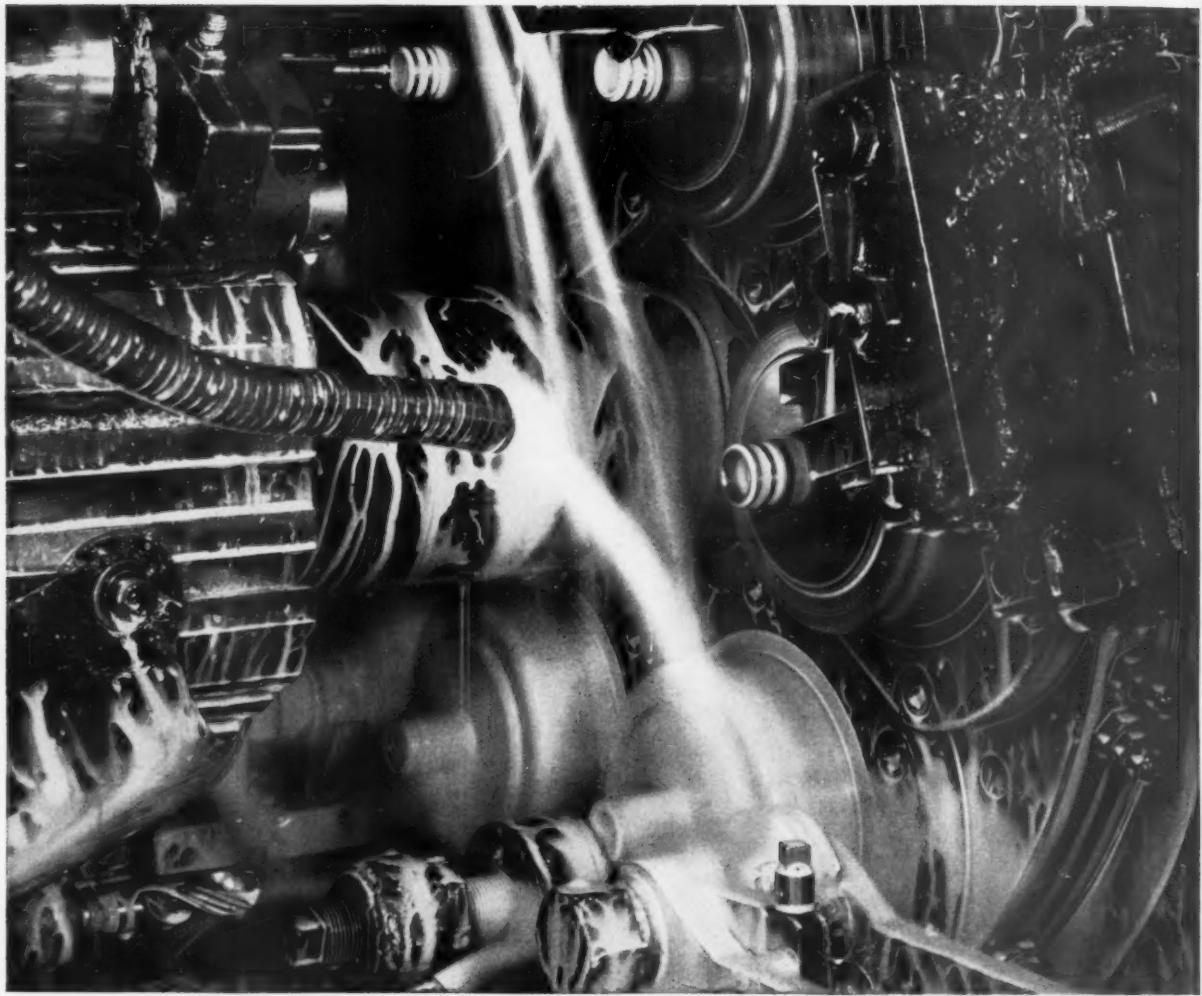


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In Research

African Diamond Mines Offer Stones For Drills in Mohole Project

An offer from the African diamond industry to contribute diamond drill stones for the Mohole project (BW—Dec. 5 '59, p151) has U.S. scientists openly excited. Scores of U.S. companies have offered aid and support for the project, which will attempt to drill into the earth's interior mantle. But, until now, no foreign business interest had volunteered its cooperation.

The offer has real financial meaning, too. The exact amount of diamonds needed for the exploratory phase of the drilling operation has not been precisely determined, but estimates have run as high as 50,000 carats. Since financial support from the U.S. government will be limited, the African diamond industry's gift looks like a great help to the project.

First test holes (down to 18,000 ft. beneath the surface of open ocean water) will be drilled later this year. The object will be to test drilling techniques as well as new ideas for holding a drilling ship in a steady position. If everything works out successfully, next will come a real attempt to reach the Moho layer, at least 33,000 ft. below the ocean surface.

AEC Launches Long-Range Project To Produce Heaviest Elements

A long-range program to produce research quantities of the heaviest of the known elements, the synthetic elements 97, 98, and 99, is under way at the Atomic Energy Commission's Savannah River laboratories in South Carolina.

As a first step, researchers are subjecting about a pint of plutonium to neutron bombardment in a nuclear reactor. In two or three years, according to Dr. Glenn T. Seaborg, chancellor of the University of California, transmutations that nuclear bombardment will cause in the plutonium will yield about 100 grams (approximately 3 oz.) of curium (element 96), plus smaller amounts of other heavy elements.

After the curium has been separated from the other elements, it will be bombarded again, this time by even higher concentrations of neutrons. After an additional two or three years, transmutations in the curium will occur, and scientists should be able to extract about a milligram (1/30,000 of an ounce) of californium (element 98).

This small amount of californium will prove very valuable to scientists. Part of it will be allocated for use as target material in the big atom smashers. Lack of sufficient target material of the right kind is now holding back the discovery of elements above 102.

Most of the remaining californium will be used for the study of the properties of extremely heavy nuclei.

MORE NEWS ABOUT RESEARCH ON:

- P. 126—Defense Dept.'s shuffle of funds reflects developments in field of missile surveillance and detection systems.

Such a study should increase our knowledge of the fundamental laws governing the various states of matter (BW—Mar. 19 '60, p77), and be of great help to scientists in fields ranging from fusion to materials research.

Cal Tech Proposes Helium Blanket To Solve Re-Entry Problems in Space

California Institute of Technology researchers believe they may have the answer to the problem of air-friction heating that will beset space vehicles upon re-entry into the earth's atmosphere. Their solution is to create a thin blanket of gas around the capsule as it re-enters the earth's atmosphere.

Re-entry difficulties already have been overcome for ballistic missiles. But the problem for tomorrow's manned space vehicles and maneuverable missiles is much greater because they will be "braking" and must be able to take tremendous heat for much longer periods of time. At speeds of 14,000 mph., the gas temperature around a nose cone can rise to 18,000F.

Cal Tech scientists propose to use helium to guard against this tremendous heat build-up. In the light of early wind tunnel experiments, it's estimated that a protective layer of helium only $\frac{1}{16}$ in. thick flowing over a nose cone 2-ft. in diam. would hold the nose cone's temperature to a maximum of 2,500F. And that's within the tolerances of a number of missile materials already available.

Team of du Pont Researchers Solves One of Biochemistry's Toughest Problems

A team of four du Pont researchers have been successful in achieving in a test tube the biological fixation of nitrogen outside a living cell at normal temperatures and pressures. The development is expected to lead to a better understanding of how plant and animal nutrition take place and also will have broad industrial applications. By using the same general method developed by the du Pont researchers, scientists should be able to reduce many difficult commercial chemical processes to simple low temperature, low pressure reactions. These processes now require the use of organic catalysts at high temperatures and pressures.

The problem of how to achieve nitrogen fixation outside a living cell at normal temperatures and pressures has been one of the toughest biochemists have ever tackled. Thousands of scientists have studied the process by which nitrogen fixation takes place in algae, certain bacteria, and leguminous plants in the hope of being able to duplicate it in the laboratory. But until now, all attempts to do so had proved fruitless.

New Missile-Spotting Net Will

That's the meaning of Defense Dept. shift of funds to speed up long-range surveillance, downgrade anti-aircraft defenses within U.S.; spotting system will combine Midas detection satellite and BMEWS radar warning.

The use of surveillance as an element in a nation's defense system—to keep a close and constant watch over the military situation as a whole and over the moves of an enemy or potential enemy—is as old as war itself.

Surveillance took to the air almost a century ago—in the summer of 1861, when balloonist Thaddeus C. Lowe made several ascents from Washington (one from the White House grounds) to map the position of Confederate forces in northern Virginia which were then threatening Washington, following the Union withdrawal after the first battle of Manassas. Lowe's ascents, with a telegraph operator aboard to send back information, averted a surprise attack on Washington, and he was hired as the first military astronaut.

Now, with the arsenals of nations filled with rockets, missiles, and jet bombers, and attack time collapsed from days into minutes, the U.S. defense surveillance line is being pushed up and over the North Pole—and into space (diagram opposite).

When the complete U.S. surveillance network is in place and operation, sometime in 1963 or 1964, it will be virtually impossible for anyone to light a large bonfire, anywhere on the earth's surface, without the Pentagon knowing immediately that a fire has been lit.

• **New Plans**—There is, of course, a big difference between being able to detect the fact that aircraft or missiles have been launched, and being able to divert oncoming warheads in flight. In the search for a reliable anti-missile device, technology still has a long way to go (BW-Mar.19'60,p24). But in the development of efficient new surveillance systems, U.S. scientists have made some swift advances lately.

This is clearly evident in the formal Defense Dept. statement released late last week, outlining briefly its plan for shifting the U.S. defense line-up to counterbalance "weapons on which the Soviet Union will have to rely for decisive attacks within the next several years."

Those elements in the defense system having to do with long-range surveillance are due for a speedup. The surveillance system envisaged by the Defense Dept. will rely heavily on a combination of the Midas detection satellite, now making rapid developmental strides, with the Ballistic Mis-

sile Early Warning System (BMEWS), soon to start partial operation. Both will be speeded.

On the other hand, elements in the defense system connected with defense against enemy aircraft over the continental U.S.—the Bomarc B missile and the SAGE (semiautomatic ground environment) bases in the U.S., using short-range radar, will be downgraded.

• **Time Edge**—The shift in defense strategy will give the U.S. a distinct time edge over earlier surveillance plans. The flight time for an intercontinental ballistic missile from the Soviet Union to the U.S. is roughly 25 minutes; from the time its nuclear warhead passes over the North Pole until it would hit Washington or New York, only 15 minutes would be left to take cover.

In order to be able to launch a counteroffensive—and therefore have an effective deterrent against sneak attack, accurate mapping of targets is essential. If nuclear war ever starts, there would be no time to map a counterattack. Prime targets have to be set in advance; planes and missiles have to be up and away almost instantly. Except for very limited wars, the day of reconnaissance by manned aircraft is past. Newer types of reconnaissance vehicles—such as earth satellites—will now be called for.

• **Enter Midas**—That is where Midas, and the infrared detection camera it will carry, come into the new setup. Tremendous progress in development of equipment to go on Midas has been rumored in scientific circles in recent months. And there's little question that the early availability of its infrared lookout system, capable of being coordinated with the long-range BMEWS radar, was a factor behind the switch in Defense Dept. surveillance plans.

The booster rockets to be used to put Midas into orbit—Atlas and Agena (the second stage of the Pioneer V booster rocket)—have been well tested. Solar cells to power it in flight have also been proved out.

• **Spy-Eye**—Midas itself, which will travel around the earth on a polar orbit some 150 to 200 miles up, was specifically designed to carry an infrared detection camera. One such camera—for which test models have already been delivered to the Air Force for ground and flight tests—was described at the Institute of Radio Engineers last week

by International Telephone & Telegraph Corp. engineers.

The IT&T camera is known as an infrared search and track set, and is able to hunt and detect any oncoming object passively. That means that no signals, such as are needed by radar, have to be bounced off an object in order to reveal its presence to the camera. This, in turn, means that it is immune to electronic countermeasures.

The IT&T scanner has to be cooled to more than minus 300F to work effectively. For its detection ability, it relies solely on a tremendous sensitivity to heat. Since heat in great quantities is created by any object moving at high speed through the earth's atmosphere, the IT&T scanner can not only detect that something is moving toward it thousands of miles away, but can even distinguish the size of that object (it's the heat sensitivity that would also enable it to spot large bonfires anywhere).

• **Limitation**—If the IT&T search and track set lives up to advance expectations, and is actually put aboard a Midas satellite sometime next year, its developers admit it will have at the start one big limitation.

Any given scanner can cover only a relatively small section of the horizon at a time. A number of scanners, on a number of satellites, would be needed for total horizon coverage. And even with the speedup in developing 1½-million-lb.-thrust rocket engines (BW-Nov.14'59,p116), the possibility of putting up a single satellite carrying a number of scanners is still remote.

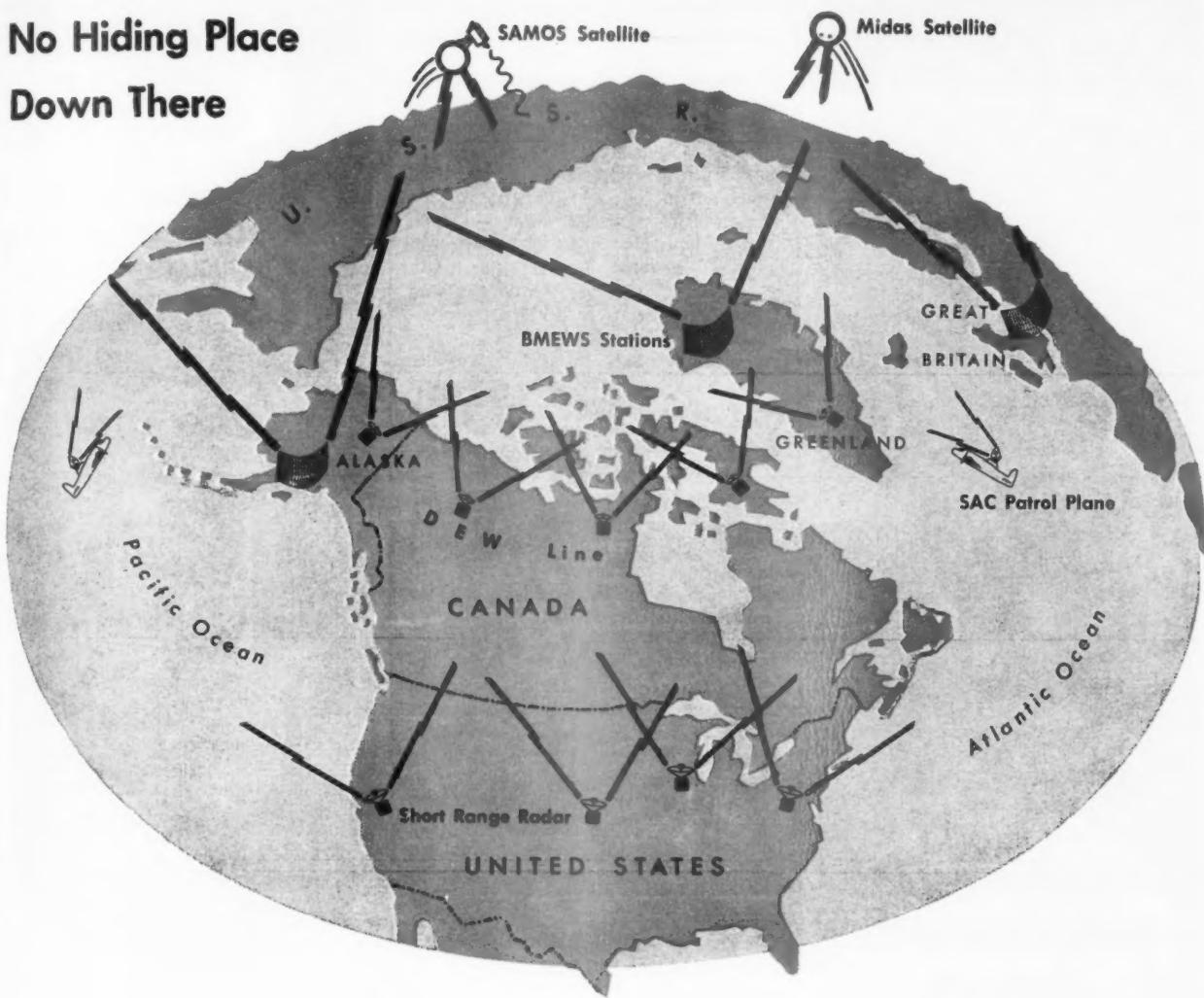
• **Combination**—So, for a few years at least, Midas satellites will have to depend on ground radar (mainly, the BMEWS system) to tell their cameras which way to look. BMEWS antennas would spot some undefined object approaching, signal this information automatically to an orbiting Midas, and Midas' camera would then instantly report the size and nature of the oncoming object.

To make this possible, the second and third unit of BMEWS also get an immediate speed up in the U.S. defense switch. The first unit in this long-range radar defense line, with antennas the size of football fields, will be in partial operation in Thule, Greenland, some time this summer (BW-Feb.20'60,p178). Under the original plan, the second and third unit—in Alaska and Britain—weren't scheduled for completion until some time in 1963.

BMEWS will throw a curtain of radio frequency over the entire polar region. Besides signaling Midas, it will provide a 15-minute warning to U.S.

Will See Over Pole, Push Into Space

No Hiding Place Down There



based Strategic Air Command planes of approaching enemy planes or missiles.

New Air Force plans also include improvements in existing types of interceptor aircraft to enable them to fight missiles with missiles. One specific item cited for speedup is the new rocket and missile armament for the F-106. More Atlas bases are also slated, and more funds will go into development of the first solid-fueled ICBM, the Minuteman.

• **Cutbacks**—To get funds for this acceleration of new defense hardware, the Defense Dept. explains that it will cut back materially its development program for the Bomarc B surface-to-air anti-aircraft missile, originally designed to meet the threat of attack by manned aircraft. In recent years the Bomarc B has come under heavy attack from industry as a prime example of a

system doomed to obsolescence before it can ever become operational.

Air Force planners, however, had defended it as a sure shot in comparison to "iffy" surveillance systems such as Midas. But in view of recent technological advances on these systems, the Air Force has agreed to a \$500-million slash in funds for Bomarc B.

If the defense surveillance line is pushed up beyond the North Pole, the need will also diminish for the SAGE system in the U.S. SAGE is essentially a complete network of electronic air warning and defense centers; at its heart is a computer that receives information of approaching enemy aircraft and automatically provides for retaliation.

The new plans cut back the number of SAGE bases the Air Force will get. The Defense Dept. says this is because

it would take several years to put SAGE combat centers underground (or "harden" them, in defense lingo) and bring them to full operational status. Insiders, however, attribute it mainly to early availability of an infrared look-out system, coupled with BMEWS.

• **Second Line**—Some support systems will still be retained to back up the Midas-BMEWS setup. The DEW (Distant Early Warning) line along the Arctic Circle, for example, will be kept intact, and even extended, perhaps as far as Denmark, this year.

Because of its short detection range—only a few hundred miles—the DEW line has been under Congressional attack. But military men defend it, at least for now, on the ground that DEW, not BMEWS, must be counted on for accurate impact predictions if a missile attack comes in the next few years. Its

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data would be invaluable in protecting movable targets from direct hits.

- **On the Way**—Midas, with its BMEWS link, is far from the last word in U.S. surveillance plans. Other promising developments, none as yet as close to materialization as Midas, have also made real progress recently:

- Development of Samos, a \$160-million photographic and television reconnaissance satellite, has made steady headway. Lockheed Aircraft is prime contractor for Samos, formerly called Sentry. A method of stabilizing its payload in orbit has already been developed through launching of various Discoverer satellites carrying similar equipment.

- The National Aeronautics and Space Administration, aided by scientists at Langley Research Center, plans to launch an inflatable 100-ft. satellite into a 1,000-mile earth orbit in the next few weeks. This satellite, called ECHO, will be a passive communications satellite—that is, it will not relay messages, merely bounce back signals.

- The Navy is studying the possibility of a tactical reconnaissance satelloid (a satellite without instruments) that could be launched from a ship into just one round-the-world orbit for bouncing off ship-to-shore signals. Its name: Yo-Yo.

- **Further Off**—Behind this trio is another group of projects which, if successfully developed, might also be converted to quick surveillance use. Some already given project names by the Advanced Research Projects Agency:

- Courier, a communications satellite that could hold information, relay it on signal. ARPA researchers are working on it with the Army.

- Decree, a 24-hour satellite that would relay information instantly.

- Steer, and Tackle, polar-orbiting communications satellites.

- **Labs at Work**—At an even more theoretical level, researchers at many company and government laboratories are investigating other ideas to improve U.S. surveillance and reconnaissance systems in the future. At Ames Research Center, at Moffett Field, Calif., one group of scientists is looking into the theory that any high-speed body generates radio frequency energy, detectable by a receiver.

At Lincoln Laboratory of Massachusetts Institute of Technology, another group is testing the wakes of high-speed bodies with microwave beams to determine to what degree the ionized particles trailing behind reflect or transmit these beams. This—which comes under the general head of plasma research (BW-Mar. 19'60, p77)—is, like the work at Ames, still in an early stage.

Obviously, the ultimate in any foolproof surveillance and reconnaissance system is manned satellites. But these are still a decade or so away. **END**

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A First Step Toward Disarmament

For the past few years, as the nuclear arms race constantly has become more intense, the prospect of an East-West disarmament agreement has seemed to fade farther and farther away. Now, quite suddenly, there is a possibility that an agreement to ban nuclear tests can be reached in the next few months, perhaps as soon as the summit meeting in May. This would be a genuine and important step toward disarmament.

By agreeing to a moratorium on underground nuclear tests, Pres. Eisenhower and Prime Minister Macmillan this week narrowed the differences between the West and the Soviet Union in this crucial area of disarmament. What the U. S. and Britain have offered is a relatively short-term moratorium on small underground tests on condition that Moscow first sign a carefully safeguarded treaty on the suspension of all other types of nuclear explosions. The latest Soviet proposal, also incorporating the principle of international inspection, called for a four- or five-year moratorium on underground testing. The President, of course, could not give a pledge of that duration, nor was he willing to have the U. S. leave the question of underground detection and inspection unsettled for that long.

It is now up to the Soviet Union to prove that it has been acting in good faith in proposing an inspected test ban. The U. S. has demonstrated its sincere desire to end the danger of fallout, and to relieve the world from the threat of an intensified arms race. In doing so, Eisenhower and Secy. of State Herter are willing to run the risk of freezing tactical weapons development—a risk that is not taken lightly by the Pentagon and the Atomic Energy Commission.

A test ban agreement, assuming it can be reached, would not end the arms race, nor guarantee progress in the field of general disarmament. But it would establish the principle of inspection and provide a model for other types of control machinery. Perhaps more important, it would amount to a joint effort by the U. S. and the Soviet Union to contain the nuclear arms race and prevent the East-West power struggle from creating an ever-increasing threat to the survival of mankind.

Visit U.S.A.

American tourists have been a familiar sight the world over in recent years. On the other hand, the reverse flow of tourism here has been small. Few foreign nationals could afford pleasure trips; and if they could, their governments had stiff curbs on such travel. In addition, our own government made things difficult for foreign visitors by wrapping visa and custom regulations with extra layers of red tape.

Now the situation has changed and we are beginning to wake up to the potentials of the reverse flow of tourism. This year, the U. S. travel industry with government backing is promoting a "Visit U.S.A. Year." The State Dept. has lowered its visa and customs hurdles.

At the same time, there are two bills before Congress aimed at setting up a government travel commission to help promote travel to the U. S.

The immediate push behind these bills is that increased travel here may ease our current balance of payments problems. U. S. tourists spend about \$1-billion more abroad than foreigners spend here. A greater flow of tourists to the U. S. might narrow this gap.

Obviously, this would be a beneficial result, but there is an even more important consideration. Few foreigners have ever had an opportunity to size up this country and its people at first-hand. As a result, many people abroad have some horrifying misconceptions about us. A sound program that would encourage foreign visitors to travel here and see for themselves would be invaluable.

The Confident Consumer

At a time when management is displaying caution about the business outlook, consumers are looking forward to a much better year than last.

The periodic survey of consumer attitudes conducted by the University of Michigan's Survey Research Center draws "a very favorable" picture of the consumers' mood (page 116).

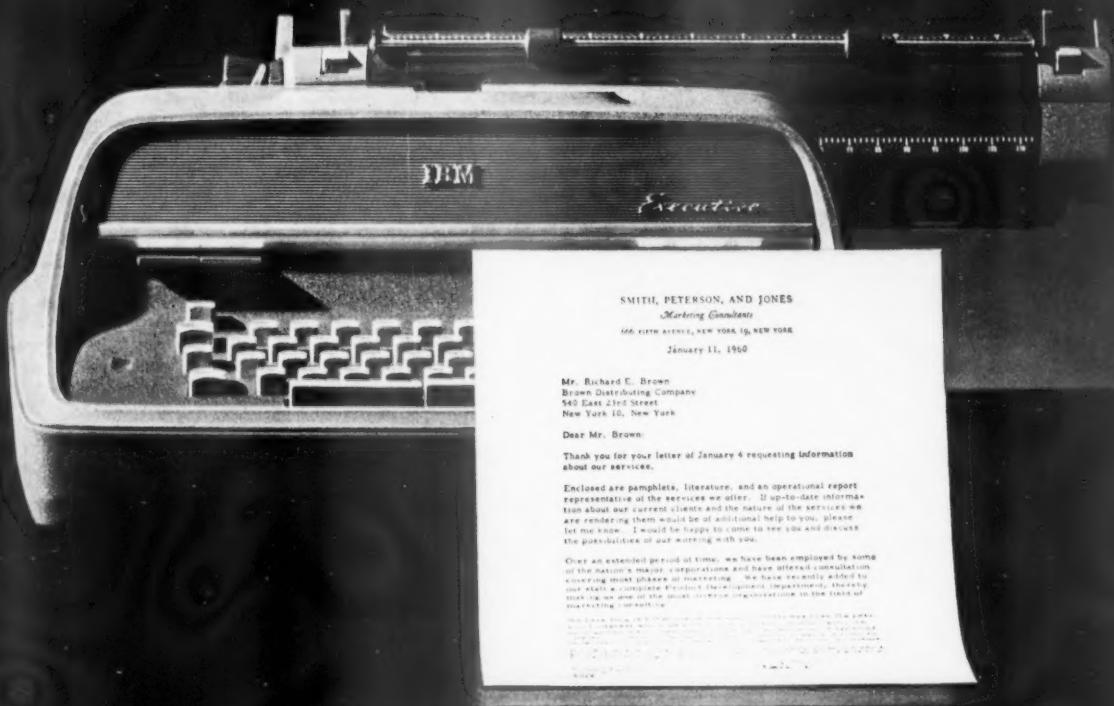
This optimistic consumer attitude may well prove to be an offset to the other things that are worrying businessmen—the stock market, cutbacks in auto industry employment, reduced steel operations. Certainly, the decision of consumers to spend or not spend their income, particularly on durable goods, has a powerful influence on the economy. In the past, as George Katona, program director of the Michigan Consumer Surveys, points out in his new book, *The Powerful Consumer* (BW—Mar. 26'60, p64), the Survey Center has been at least partly successful in calling the economic shots.

There are two cautions to keep in mind. First, the latest survey was made in January and February, when everyone, including the businessman, was more optimistic. By now, people may have become more cautious. Second, consumers expect gradually rising prices, something that has always been a deterrent to spending.

Nevertheless, the consumer's general confidence indicates a basic strength in the underpinnings of the U. S. economy. It is an encouraging sign that helps put some of the more doubtful aspects of the business picture into better perspective.

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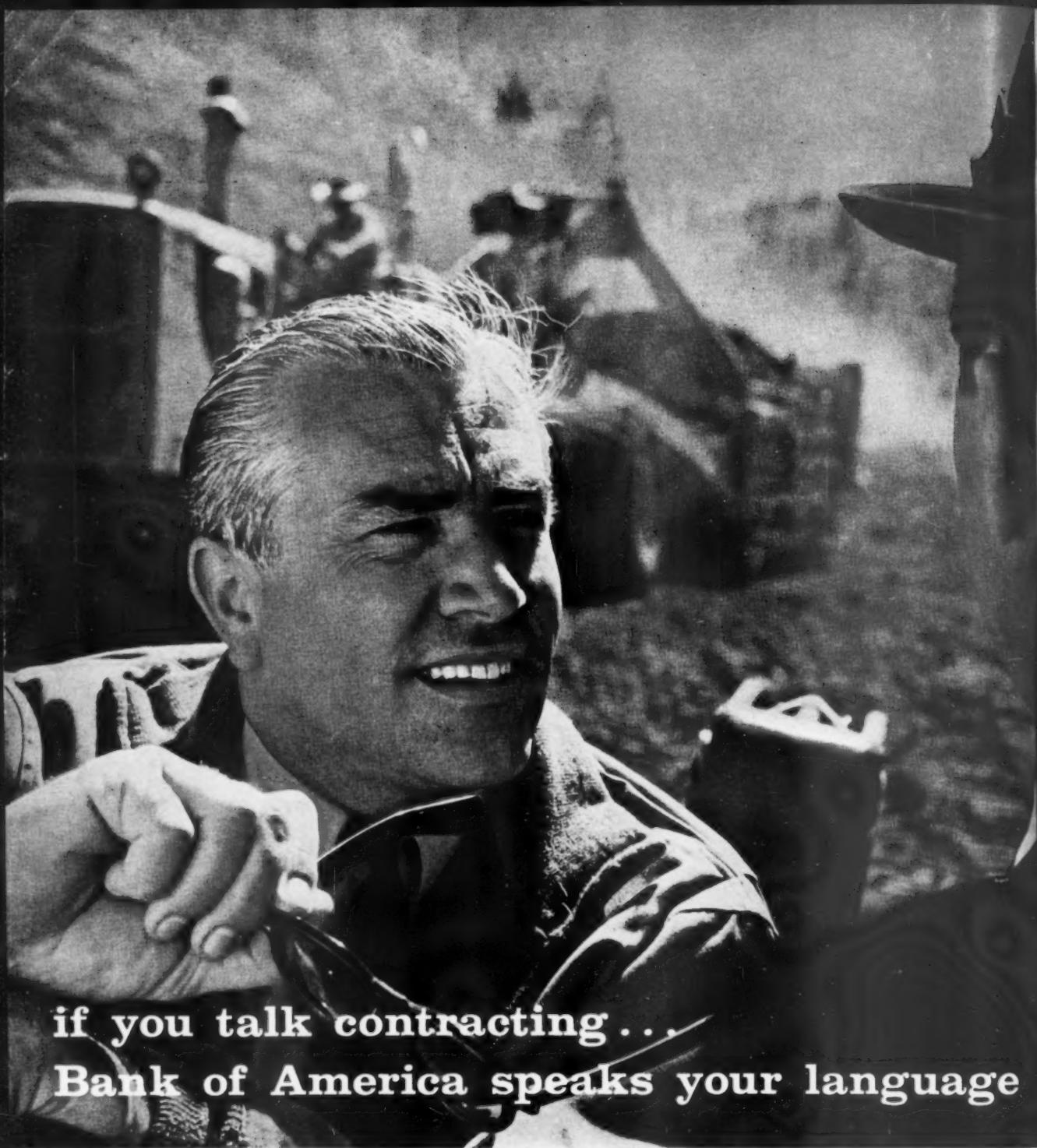




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